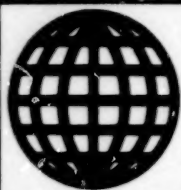


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13 MAY 1989



**FOREIGN
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**WORLD ECONOMY &
INTERNATIONAL RELATIONS**

No 2, February 1989

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No 2, FEBRUARY 1989

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World Economics & International Relations

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English Summary of Major Articles

18160007a Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 2, Feb 89 pp 158-159

[Text] New developments in the capitalist economy. This section of the issue under review covers actually three separate articles which highlight recent developments in the world capitalist economy. The first one, for instance, gives an indepth analysis of profound changes in the structure of the monopoly capital and in the scope of governments' interference with the functioning of the capitalist economy. The authors point out that the problems generated by the current scientific and technological progress and further internationalization of the capitalist economy are the most dynamic processes which underlie far-reaching changes in the capitalist world. Analyzing the specifics of modern monopolization and competition, the authors emphasize an international character of these phenomena which are caused by the tremendous concentration of financial and other resources within the framework of the biggest transnational corporations. Obviously, while investigating into these developments, one should not underestimate the role of small businesses and the changes visible in the overall credit system and financial capital. Crediting and banking have also become subject to internationalization and diversification. In fact, banks and industries operate in many cases as equal structural elements of diversified concerns. The authors' examination of the governmental interference with economic activities in capitalist nations in the 1980s suggests that most industrialized capitalist countries expanded the scope of privatization of their economies. At the same time, however, this action was accompanied by a substantial increase of the role played by capitalist governments in ensuring the strategic conditions for an economic development and greater competitiveness of their respective countries. In short, conclude the authors, the recent changes in the mechanism of governmental control over economic activities reflect an attempt of the world capitalist system to readjust itself to the new, emerging realities, particularly to the growing economic interdependence of the nations caused by the continuing internationalization of their economic efforts.

The second and third articles of this section are based on the discussions held by foremost Soviet economists and deal, respectively, with transnationalization of the modern capitalist economy and the distribution of incomes

in capitalist nations. Both articles offer unorthodox approaches to the issues under review and show the divergence of the opinions expressed. For example, there is no common view about the process of transnationalization, its true meaning, scope and consequences within and outside the world capitalist system. At the same time many participants of the discussion agree that the expanded operation of transnational banks and corporations is the main driving vehicle of economic transnationalization. Some experts even tend to believe that capitalism has entered a new phase of its development that might be called transnational state-monopoly capitalism.

As far as the distribution of capitalist incomes is concerned, this issue must be analyzed from a new standpoint free of any rigid and dogmatic considerations which have piled up over the years. Only this approach will enable us to get a better understanding of the true nature of capitalist incomes and the patterns of their distribution in society.

Global problems on the threshold of the millenium. Like the previous section of the issue, this one also consists of three articles which offer a comprehensive and thorough analysis of some global problems of mankind. The first article, based on the discussion held between Soviet and French scholars about the main trends of modern social development, gives a rather unconventional and truly humanistic picture of the world economic development and probable effects of this development on the social life. The discussion thus held centered around the paper presented by Dr. R. Passet and outlined possible prospects of academic cooperation between the East and West in this area. The model mapped out by Dr. R. Passet is based on a multidimensional nature of economy, and the economic activity of man is regarded as an integral part of other human activities and man's interaction with nature. Hence any economic effort of man should be simultaneously viewed as a social phenomenon and an element of nature. The author of the paper illustrates his view with three different models of the Universe and its development, which correspond to various stages of man's understanding of the world. His philosophical, humanistic approach to economic problems laid down a good basis for the subsequent discussion the detailed account of which will be of great interest to the reader.

The second piece in this section is the outcome of a round table discussion of the role of the state, national and class interests in the foreign policy and international relations. This discussion reflects the quest of Soviet scholars for new approaches to this theoretical concept and does not claim the status of absolute truth. One thing is obviously clear, however, that today the role of the classes and antagonism between them have ceased to be the measure of all social and political phenomena, as compared with the situation some 50 or 100 years ago. Hence there is a strong need for a new understanding of the traditional "class approach" concept, and a deeper

insight view of the mechanism of state and national interests which coincide in most cases. These and other interesting and original views expressed by the participants provide a sound framework for further exchanges of opinions about this topical and, undoubtedly, important issue.

The third material published in this section is a summary of the round table discussion about the social nature and functions of bureaucracy, which attracted foremost experts of the Soviet academic community. The importance of this problem looms large on the Soviet horizon today in view of the policy of perestroika. Hence a general attempt to investigate into the mechanisms of bureaucracy which is characterized, above all, by its universality. Moreover, bureaucracy has become an important self-sustained organism that controls the means of production in its own interests. The participants in the discussion give a comprehensive, updated analysis of the origin of bureaucracy, its genesis, structures and manifestations. Naturally, the approaches to and views about bureaucracy and its ruling position in the present-day world may be different and pluralistic as the round table discussion in question has shown. Hence deeper and more credible studies of this social phenomenon are required.

Communists and social democrats in the modern world. The complexity and unprecedented scope of the problems which confront mankind require the mobilization of both spiritual and political potentials of all social forces capable of acting together. One of the main steps in this direction, in view of A. Galkin and Yu. Krasin, is the establishment of better understanding between the ruling Communist parties and the Social Democratic movement which enjoys influence and support of the democratic forces in the capitalist countries. Undoubtedly, new initiatives are urgently needed today to achieve this goal. A meeting between representatives of some European Social Democratic parties and scholars of six socialist states, which was held last December in Freudenberg (West Germany), marked an important milestone in this direction. The departure point for the discussion was provided jointly by West and East German scientists who prepared a document entitled "The Culture of Discussion and Universal Security". Naturally, this document on a very complex problem did not meet unanimous approval and support. Serious criticism was expressed, both from the left and right. At the same time the discussion showed broad agreement of the participants when they explored the urgent need for the entire labour movement to search for a new model of international security on the basis of a new type of political thinking. The above issues and many other points of mutual interest were examined in the course of the discussion a detailed account of which is given in the article under review. And there are grounds to believe that a follow-up meeting—this time on human rights—will be held in Berlin, since the participants supported the idea of continuing their useful gatherings in the future.

V. Maksimenko "Socialist orientation: a restructuring of concept". In 1987-88, the problem of socialist orientation—i.e., of "bypassing" or "shortening" of the capitalist stage in the development of newly-liberated nations—became a subject matter of acute discussions among Soviet scholars. The entire argument centers around the issue of whether it is possible or not to go from economic backwardness to socialized property expressed in the actual control of the working people over the means of production. In his article V. Maksimenko analyzes this problem in the context of Marxist theoretical thought of the 19th-20th century (K. Marx, F. Engels, V.I. Lenin and N.I. Bukharin). The idea of "bypassing" ("shortening") the stage of capitalism, which was mapped out in classical Marxism, formulated only general conditions of accelerated (and cheaper from the point of view of social costs) mastering of gigantic productive forces developed by and available to capitalist civilization. Contrary to this idea, the concept of socialist orientation or non-capitalist development as it was suggested and understood in the 1960s-70s was, in Maksimenko's view, the outcome of non-critical transfer of the models of military communism in Soviet Russia of 1918-21 to the realities of the post-colonial world. The key to the restructuring of these schemes and concepts can be found in the alternative understanding of socialist ideals and socialist practice the general principles of which were outlined by V.I. Lenin in his political testament.

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No 2, Feb 89 p 155

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Changing Economic Structures, Regulation Policies in West

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[Article by a group of authors: "Changes in the Structure of Monopoly Capital and State-Monopoly Regulation"]

[Text] S&T progress and the internationalization of the capitalist economy are the most dynamic processes of the present day, which are bringing about a profound transformation of modern capitalism. It is not fortuitous, therefore, that in this article also the group of authors examines the entire multilayer and contradictory picture of the structural changes in the system of the domination of monopoly capital and state regulation from the viewpoint of the new phenomena in the development of the S&T revolution and the continuing internationalization of the capitalist economy. Ultimately appreciable changes throughout the system of capitalist production relations, in the property structure and in the economic mechanism are occurring under their influence. From the end of the 1970's through the end of the 1980's there has been, actually before our very eyes, a new exacerbation of the contradictions of capitalist reproduction, to which the mass unemployment, profound cyclical and structural crises and currency and other upheavals of the capitalist economy testify. A complex and manifold process of the development and adaptation of the production relations of state-monopoly capitalism to the new level of the productive forces—a process which has enabled present-day capitalism to "harness" the S&T revolution relatively quickly and thereby create the conditions for long-term economic growth, albeit burdened by new contradictions—is under way. A new technological basis of production (based on electronic-information equipment) has taken shape and the transition to an intensive (resource-saving) type of reproduction has been completed in the developed capitalist countries, in the main. The leading role in the development of the productive forces has switched from the traditional sectors of industry to the science-intensive sectors, primarily to the electronic-information complex.

The new stage of the S&T revolution and the growth of internationalization associated with it have brought about a devastating break with the old sectoral structures within individual countries and on an international scale and accelerated the processes of the transnationalization of the world capitalist economy. All this has brought

about cardinal changes throughout the economic structure of present-day capitalism determined by the complex relationship and interweave of the basic mechanisms of its regulation—market competition, monopoly regulation and state intervention in the economy.

The scale of these changes is unprecedented for postwar capitalism. They are manifested in:

the development of new monopoly structures and in new forms and methods of the domination of finance capital;

the intensification of the role of competition and market mechanisms in the distribution of resources and the increased efficiency of capitalist corporations;

a restructuring of relations between the state and the private sector and in new aspects of state intervention in the economy;

new economic "bounds" of the world capitalist economy between transnational corporations and the imperialist centers.

An analysis of these changes is the principal theme of the article. At the same time, however, their examination confronts scholars with problems of a more general nature—problems of the intra-formational development of capitalism at the current stage. In this connection it is necessary to discuss a number of theoretical problems:

what is the correlation today between the trend toward monopolization and competition? And, to put the question more broadly, how do commodity production and market relations interact with the monopoly and state regulation of the economy?

What is the correlation between the growth of small and medium-sized business on the one hand and the monopolization process on the other? Is it only niches in the structure of capitalist production and consumption which are being filled by venture and other forms of small business? Does their development require amplification or an appreciable reconsideration of our understanding of the socialization process?

What is the relationship between the new forms of finance capital and the actual accumulation of monopoly capital under the conditions of its transnationalization? Is the new interaction of property and forms of its control and management reflected in the actions of the basic law of capitalism?

In examining the changes occurring currently in the scale and forms of state intervention in the economy we need to also raise the following problem: how have these changes been influenced by the S&T revolution and the internationalization of the capitalist economy? Is from this viewpoint the conservative shift in economic policy a deviation from the general line of ever increasing state

intervention in the economy or does it contain a certain straightening of the former trend and a search for a new correlation of the state and the private under current conditions?

Is not the center of gravity of the contradictions of present-day capitalism shifting from the intra-national to the inter-nation arena, which is becoming the birthplace of the most acute conflicts and source of the active destabilization of the economy of individual capitalist countries? Could in this situation deregulation be the principal direction in the development of state-monopoly capitalism or is an increase in international coordination of the national short-term (opportunistic) politics of the main capitalist countries required? What in this case would be the correlation (dialectic) of the national and the international in the development of state-monopoly capitalism?

Particular Features of Monopolization and Competition in the Current Period

The S&T revolution and the rapid internationalization of economic life have in the last decade brought about profound and multilevel changes in all components of the economy of the developed capitalist countries. Organizational-structural forms of capital accumulation are undergoing the most appreciable restructuring. Making worse the conditions of the self-growth of capital, the abrupt exacerbation of the contradictions of reproduction and the changes in the system of the driving forces of economic development have confronted the former with the need for the formulation of new approaches in business strategy, a reconsideration of the means of competitive struggle and cooperation, a modification of organizational structures and their attunement to maximum profits under the new conditions.

The need for and particular complexity of these transformations are connected with the fact that the nucleus of the monopoly structure which took shape in the preceding period was formed by a small group of the biggest companies of a number of highly concentrated base sectors of industry—steel casting, automotive, chemical, industrial rubber and others—which determined the basic parameters of economic growth. The transition to the new production engineering basis resting on science-intensive types of activity, the expansion of nonmaterial production and the economy's growing orientation toward final consumer demand will require a radical updating of the monopoly structure and, in turn, depend on the depth and pace of its reorganization.

Monopoly restructuring is under way in the course and as a result of the large-scale centralization of capital. Under the conditions of bitter competition companies are turning to the most effective means of asset consolidation—the practice of mergers and takeovers. Growing continuously, by the mid-1980's mergers and takeovers had formed a powerful wave, the third this century. In

the United States business spending on merger and takeover deals grew from \$12 billion in 1975 to almost \$200 billion in 1985. A wave of mergers and takeovers engulfed West Europe also.

As distinct from preceding ones, the current wave of mergers and takeovers is concentrated within the bounds of the monopoly sector. A whole series of billion-dollar deals have been recorded in all the developed capitalist countries in the 1980's. In the United States their number increased from 5 in the entire 1970-1979 period to 16 in 1984 and 22 in 1985; companies of the top 100 participate in every second deal in the FRG; the biggest mergers and takeovers in the history of business have been accomplished in all countries; giant corporations which are members of the group of sectoral leaders have become active participants in the transactions.¹

The specific feature of the current wave of mergers and takeovers is its inter-nation nature also. The transnational corporations are acquiring the assets of important foreign firms. The consolidation of the capital of West European countries enabling the amalgamated companies to achieve "critical mass" for more successful competition against the American and Japanese monopolies is intensifying.

The wave of mergers and takeovers is encompassing the entire economic structure of the countries in question, being distinguished by the greatest intensity in the base sectors of the economy and also in the group of privatized or deregulated sectors and firms. Mergers of giants cause a chain reaction of deals between firms of more modest dimensions. In the course of the centralization of capital and mergers and takeovers the companies are reorganizing their internal structure as a result of the mass redistribution of divisions, affiliates and enterprises.

In feverish attempts to emerge from crisis and in fear of lagging behind competitors many firms have made serious miscalculations in their estimates of the profitability or expediency of deals and have subsequently divested themselves of recent acquisitions. The wave of mergers and takeovers has expanded thanks to the multiple resale of assets; in a short time a whole number of companies has changed hands several times. Some 12,200 firms and affiliates with assets of approximately \$500 billion, which constitutes almost one-fifth of the total value of share capital, changed hands in 1983-1986 in the United States alone.² In the restructuring process companies are divesting themselves not only of obsolete and inefficient but also profitable assets if they do not fit into the new business strategy. The nature of the reorganization may be judged from the following examples. In the 1970's the American Monsanto company liquidated 60 works with a total value of approximately \$2 billion. From 1981 through 1987 alone General Electric divested itself of 190 works with a value of \$6 billion, at the same time taking over 70 new works valued at \$10 billion. In the first half of the 1980's no less than 56 percent of

American firms among the 500 industrial giants undertook a fundamental restructuring.³ In the course of competition and mergers and takeovers there is a natural sifting of individual capital: the least viable capital disappears or slides down the hierarchical ladder, the capital which has known how to promptly and successfully adapt to the changing economic environment separates out and gains momentum. The corporations of the new science-intensive types of activity are vigorously moving into the lead positions.

In terms of the sum total of sales in the United States U.S. Steel moved in the period 1972-1986 from 13th into 22 place, Westinghouse Electric, from 14th to 28th, LTW, from 21st to 49th, Bethlehem Steel, from 30th to 89th, and the textile Burlington Industries, from 66th to 140th; many newcomers or rapidly grown corporations of the electronics, aerospace, pharmaceutical and food sectors have found themselves in the front ranks; Hewlett-Packard rose from 267th to 51st, Rockwell International, from 370th to 24th, and Boeing, from 43d to 16th. The leaders of the base sectors which undertook wide-ranging modernization and diversification programs have also maintained their positions.

As a whole, the statistics testify to an increase in the aggregate power of monopoly capital in the FRG, Japan and Great Britain; a certain decline in the biggest firms' share of the total assets of manufacturing industry and the nonfinance corporations has been noticed in recent years in the United States.⁴

When analyzing the positions of monopoly capital, account has to be taken of the fact that the biggest national companies are of a transnational nature.

Transnational companies, which are predominant in the most advanced sectors of the economy and control the nucleus of present-day capitalism's S&T potential, long since captured the dominating positions in the world capitalist economy. Thus in 1985 the 600 biggest industrial TNC accounted for one-fifth to one-fourth of the assumed net product of the entire capitalist world. Their role in world trade is even more substantial. For example, from 80 to 90 percent of total exports of the United States and Britain is associated with the activity of the TNC.

The structural reorganization, which is proceeding unevenly in capitalist countries and individual TNC, has led to appreciable changes in the world arena of capitalism. From 1967 through 1986 the number of American TNC among the 50 biggest declined from 39 to 21, and British, from 5 to 4; at the same time, however, the number of West German TNC grew from 2 to 7; the list was supplemented by 6 Japanese and 4 French TNC, and the number of West European TNC increased from 9 to 21.

The internationalization of capital is not a separate independent process but a natural continuation of the domestic processes of monopolization and is determined by the immense concentration of economic power and financial, production and S&T resources within the framework of the biggest TNC. The giant private-capitalist economic subjects are superior in terms of the scale of their production, commercial and financial activity to certain national economies. For these TNC the national state is not so much a defender in the face of foreign competitors or a tax collector (although all these functions are retained) as one of several macroeconomic partners, with which it is possible to bargain, feeling out the most convenient combination of economic, fiscal, customs and many other factors ultimately providing for a steady amount of profit on the capital invested in production, securities or simply bank accounts. Playing on the terms of the investment of capital on an international scale, transnational capital obtains superprofits, using the most efficient combination of resources and capturing the most capacious and profitable markets.

The TNC have the opportunity not only to influence macroeconomic processes but also, within certain limits (in the zone of their influence), to dictate terms to the purchasers, subcontract firms and so forth.

As of the present the TNC practically share among themselves the capitalist markets for automobiles and steel and a number of chemical commodities and are establishing themselves on the electronics markets. Bitter competition is prompting them to coordinate action, and it is becoming a question of the formation of monopoly structures within a world market framework.

On certain world raw material and foodstuffs markets the number of TNC is being reduced to a minimum, and the opportunities for competition and, consequently, for the effect of the law of value are narrowing. According to UNCTAD data, in 1980 the proportion of world exports controlled by the 15 biggest TNC constituted on the natural rubber market 70-75 percent, the oil market, 75 percent, tin, 75-90 percent, copper, 80-85, cocoa, 85, cotton, wheat and tobacco, 85-90, and iron ore, 90-95 percent. However, in the manufacturing industry sectors, where S&T progress is making it possible to constantly offer qualitatively new products, the oligopolistic structure of the market is more fragmented, the competitive struggle is more acute and, consequently, the laws of the market operate more fully. There is reason to believe that with the increase in the relative significance in the world economy in the manufacturing industry sectors the effect of these objective laws will not weaken but strengthen.

The reorganization of the monopoly structure in developed capitalist countries is far from completion, and it would be premature to make a final assessment of its nature and consequences. Certain features of monopolization are, nonetheless, expressed clearly enough. At the same time, on the other hand, an increasingly big part is

being played by competition. The central place in our investigation of the problems of capital concentration has until recently been occupied by monopoly, that is, a set of measures and means of the suppression of competition and its economic results. The role of competition, which K. Marx emphasized in the well-known proposition concerning the synthesis of monopoly and competition and their dialectical unity, has been underestimated. The reasons for this consisted to some extent also in a specific feature of the development of the economy of the leading capitalist countries throughout the three postwar decades—the comparatively rapid expansion of markets, when big capital succeeded in temporarily or partially paralyzing or weakening the effect of competitive forces or directing them along a less dangerous channel. In the light of the obvious invigoration of competitive forces the question of the correlation of competition and monopoly in the immediate and more distant future would seem of interest. Was the resuscitation of competition brought about by a specific combination of factors in the said period and is it for this reason temporary and associated with structural shifts or are the new phenomena in capitalist production imparting to this process a long-term and stable nature? Is the movement of competitive forces undulatory, and is a weakening of competition, given a corresponding growth of monopoly tendencies, possible in the future?

The events of the last decade convincingly illuminated the fundamental role of competition in the development of the productive forces and its universal impact on the national economy and world-economic processes. The exacerbation of the problem of sales as a result of the slowing of economic growth and structural and cyclical crises is intensifying rivalry on sectoral markets. The economic and energy crises intensified clashes in the sphere of production's resource support. The increase in competition entails an S&T revolution, undermining by a stream of discoveries and innovations the stability of capital's market positions, involving it in a continuous technology race and stimulating intersectoral competition. The seriousness of the competitive skirmishes is increased many times over by the internationalization of production. The expansion of the transnational corporations is shaking the evolved correlation of forces on the sectoral markets of foreign countries and exploding monopoly alliances and agreements. By a ramified chain of intersectoral ties the expansion of foreign manufacturers on the automobile, steel, textile, electronics, manufacturing equipment and so forth markets is influencing the entire economic system and stimulating intrasectoral and intersectoral competition.

As distinct from the 1950's-1960's competition is at the present time more open and direct. Under the new conditions nonprice forms of monopoly competition have not always proven sufficient. The stimulation of price competition is connected also with a certain shift of accents in corporations' business strategy away from market expansion toward economies in costs and the

efficient use of resources. A tremendous role was performed by the energy crisis, which exposed along the entire chain of contiguous industries the close dependence of product competitiveness on the level of costs and prices. Maneuvering actively, as in the past, with shadow prices, various price concessions and secret discounts, companies are turning increasingly often in the struggle against their rivals to the main weapon—an absolute or partial (under inflation conditions) lowering of prices. Price wars—an extremely risky, but, if successful, most effective method of redistribution of market positions—have become a customary phenomenon on the steel, automobile, textile, chemical and agricultural commodity, electronics and transport services markets.

Competition is now heating up not only in the sphere of the sale of the products but also at the production and preproduction stages, at which the basic parameters of product competitiveness are established. A special place in the set of competitiveness factors is occupied by S&T progress as a strategic weapon of both a breakthrough onto new markets and of economies in resources. The high concentration of research potential in important firms is no accident.⁵

The integration of production and scientific activity and large-scale research are supporting companies' dynamic market expansion. A close dependence is observed between the amount of spending on R&D and the rate of market expansion in companies of both the new and traditional sectors.⁶ The most severe competitive skirmishes in the current period are developing within the bounds of the monopoly sector itself. In the same way price competition and price wars are being employed increasingly by major companies not against small-time rivals, as before, but in the struggle against the more dangerous nearest competitors.

The more precise and objective evaluation of the role of competition in the development of the economy is giving rise to the need for a number of clarifications in the interpretation of its antipode—monopoly—also. The practice of the sweeping use in economic literature of the term "monopoly" with reference to any relatively large organization is primarily in need of adjustment. The monopoly defines a number of most important systemic characteristics of present-day capitalism which have undergone considerable changes as a result of the limitation and modification of the market mechanism in the process of capitalist socialization. The high level of concentration of production and capital in the hands of individual concerns undoubtedly constitutes a most important condition of the formation of a monopoly. However, not every major corporation can under all conditions establish control over the market and derive superprofits. After 1973 many large companies of the base sectors of the economy found themselves, despite the vast scale of the concentration of resources, totally dependent on the market, and some, on the verge of bankruptcy. But even given a certain degree of control

over the market, the monopoly component in a company's activity is a variable value and fluctuates within relatively broad limits depending on the market situation. It is important to emphasize the increased instability of the monopoly under current conditions.

Given the high S&T level of modern production, competitors can comparatively quickly eliminate a monopoly, coming onto the market with an analogous product or having employed efficient technology. The large dimensions of the modern corporation and its financial resources enable it to surmount any barriers preventing its entry into highly profitable monopolized spheres. But this is just one, albeit the most clearly expressed, side of contemporary monopoly competition. The other is the fact that to preserve and support monopoly the highest corporations have begun to employ methods and means of limiting competition in the sphere of S&T progress also. The organization of joint firms, enterprises and works and the elaboration and realization of joint S&T projects and programs, the exchange of S&T information, patents and manager personnel and so forth are moving to the forefront in monopoly practice in this connection. Direct participation in the sale of competitors' products is becoming particularly prevalent among the market forms of coordination of action. These anti-competition measures are assuming particular proportions at the international level in the attempts to neutralize international competition—the most dangerous in the current period.

In studying the correlation of monopoly and competition in the current period account has to be taken also of such a phenomenon as the pronounced increase in the role of the nonmonopolized sector (small business in Western terminology) in the economic development of present-day capitalism. According to a number of Western economists, this sector has now become a new force equal in terms of its economic significance to the monopoly sector and the bourgeois state. At the start of the 1980's it accounted in the United States for 43 percent of GNP and 58 percent of employment, in the FRG, for one-third and two-thirds respectively. Flexible and mobile small firms have managed both more quickly and frequently with fewer losses to adapt to changes in economic conditions, and in a number of heavy industry sectors—steel-casting, general mechanical engineering—in improving their market positions even.

Such factors as the ongoing comminution of markets in line with the extension of production specialization and the segmentation of consumer demand are conducive to the growth of small business; it is also expanding in connection with the preferential development of services, in which the proportion of small units is higher than in material production.

Until recently small business was lent a certain stability by narrow specialization and entrenchment in niches of the economic organism and on markets of no interest to big capital. It may evidently be maintained that at the

present time also an objective delimitation of functions between the monopoly and nonmonopoly sectors of the economy may still be distinctly traced in the developed capitalist countries. However, in many spheres small business is now playing the part of explorer of new investment opportunities and pioneer in the development of new, so-called risk industries. The manpower employed in these industries is skilled. Of course, if the market of these industries is promising in respect of scale and profits, big capital endeavors either to take over or suppress its rivals by direct price competition. This course of events is no rare phenomenon in the new sectors. For example, on the U.S. computer equipment markets IBM, the sectoral leader, having evaluated market prospects, is strangling some small manufacturers, lowering the prices of analogous products, and taking over others, perfecting their models and organizing mass production. However, there are examples of small venture enterprises not only withstanding competition on the part of the monopoly giants but themselves becoming important outsiders undermining the evolved monopoly.

The relations of small and big capital in the current period are diverse, complex and multilevel and amount to more than just hostility and antagonism. Even the struggle between them on individual markets differs markedly in different periods in terms of intensity, forms and results. The problem of the incentives to and forms of the cooperation of large- and small-scale production and the impact on the efficiency, that is, competitiveness, of the contracting parties are of undoubted interest. At the same time it is obvious that each of them benefits from joint activity. The major companies endeavor to use in their own interests such features of small business as enterprise, flexibility and mobility in response to the demands of the market, devotion to the cause and interest in its results. In consenting to such cooperation small business hopes to be introduced to S&T progress, benefit from the increased scale of activity, alleviate the most complex problem of financial sources and associate itself with scientific systems of management, marketing and so forth. It is estimated that in Great Britain the bankruptcy "norm" for small firms in the first 3 years of activity is the equivalent of one-third and declines upon cooperation to 8 percent. Such industrial giants as Dupont de Nemours, Exxon and Monsanto in the United States and Siemens in the FRG have in recent years been turning to various forms of cooperation, acquiring the stock of small corporations or creating joint ventures, primarily for the development of new products.

The most varied forms of symbiosis of small- and large-scale production are becoming prevalent at the present time. In industry this means contract systems of a varying degree of organizational unity, in trade and services, franchise-type systems; both unisectoral and intersectoral alliances are practiced. So-called network corporations, to whose orders tens and sometimes hundreds of small firms, located in the developing countries,

as a rule, what is more, work, have arisen. The head corporation itself undertakes the planning, design, advertising and sale of the products.

It is indicative that in the competitive struggle each side uses the advantages of the economic organization of the enemy. Small businessmen pool resources and efforts in a variety of joint organizations—cooperatives and voluntary associations—for the purpose of economies of scale. Big capital is developing insufficient initiative and flexibility on the paths of decentralization of the management and broadening of the independence of the divisions, affiliates and enterprises even. In recent years it has been cultivating so-called internal enterprise, creating within the framework of the corporation highly autonomous firms analogous to small business. Ultimately this leads to intensified competition. A whole number of cooperative associations of small businessmen, particularly in trade and agriculture, grows sometimes to giant size and rivals the major corporations.⁷

The said trends are undoubtedly having an appreciable impact on the position of small forms of enterprise and their fate and development prospects and, possibly, increasing long-term stability. The results of an analysis of the problem are as yet contradictory. The problems of mid-sized production and capital and its place, functions, role and development trends in individual sectors and throughout the economy are the least developed. An approach to small business not as a homogeneous mass but on the basis of delineation per this criterion or the other is, in all probability, important. Thus the traditional types of this business preserve many classical features under current conditions also. Others, born of the S&T revolution and the general complication of the economic system, are acquiring new properties and characteristics.

The Credit System and Finance Capital

The development of the credit-finance system is most closely connected with the change in the general conditions of reproduction, the rate of growth and the structural shifts in the economy. On the one hand this system has reflected and experienced the influence of these shifts, on the other, it has contributed to them and been a necessary condition thereof.

The role of credit-finance factors in the economy as a whole has a tendency to increase. This tendency may be traced along many lines. Large-scale capital investments in the economy are being made to a large extent thanks to credit sources; practically nowhere is a lessening of industrial corporations' dependence on external sources of financing and the loan capital market is observed. Flexible forms of the financing of innovations, basic research and so forth are developing under the conditions of rapid S&T progress. Processes of the concentration and centralization of capital and the merger of big

firms have been taking place with the active participation of the banks and other credit-finance establishments. The loan capital and securities market has grown rapidly, which on the one hand has provided for the efficient accumulation of savings and, on the other, extensive opportunities for the financing of the state, enterprises and the public. Together with an increase in all types of debt the economic upturn of the 1980's has been accompanied and pushed along by an important stock market boom.

The increase in all types of debt amounted to more than 60 percent in the United States in the period 1982-1986, whereas GNP in current prices grew only 33.5 percent.⁸ By October 1987 the market value of shares had doubled approximately compared with 1982. There had thus been a considerable detachment of the accumulation of monetary capital from actual capital.

A most important trend of the 1980's has been the rapidly growing internationalization of credit and the loan capital market. Both the formation of the resources of loan capital and its investment are going increasingly beyond the limits of national boundaries. This is increasing for firms and for the economy of individual countries the significance of basic financial parameters such as currency exchange rates and interest rates.

The investment of capital overseas both in the production and credit-finance spheres has assumed unprecedented proportions. Merely the book value of direct investments amounted by 1985, according to U.S. Commerce Department information, to approximately \$600 billion. The amount of overseas portfolio investments was several times greater, and the investment of loan capital was greater still. As a result of the rapid transnational activity of industrial capital and bank capital, which followed it, there has been a close fusion of national credit markets and a world credit-finance system of capitalism has taken shape.

The internationalization of credit is a component of the general process of the internationalization of production and capital in the world capitalist economy. Both these processes were manifested in the 1980's in a huge imbalance in international payments, which could be settled only thanks to the functioning of the international loan capital market. Whereas for the 1970's the main problem of the international finance system was the recycling of petrodollars, in the 1980's the problem is the U.S. balance of payments deficit (approximately \$154 billion in 1987) and the surplus balance of payments of a number of countries of the Pacific headed by Japan (Japan's balance of payments surplus in 1987 amounted to \$87 billion) and also the FRG (\$45.2 billion).⁹ A most important part in providing for the movement of loan capital from countries with surplus balances of payments to the countries showing a deficit is played by the international credit system headed by the leading banks of the principal countries. These processes are accompanied by the most acute competition in the

group of the most important international banks. A certain diminution in the role of U.S. banks, given a strengthening of the world positions of their Japanese, French, West German and Swiss competitors, has been observed in recent years. According to the data for 1986, the group of the 500 biggest banks of the capitalist world includes 104 American, 82 Japanese and 202 West European banks. However, almost all the places in the top 10 were occupied by Japanese firms. As a result the relative significance of Japanese banks in the total assets of 500 of the world's banks amounted to 32 percent, of American banks, 16 percent, of FRG banks, 9, French banks, 7, Italian banks, 6, banks of Great Britain, 5 percent, and so forth.¹⁰ This alignment of forces in the group of the world's biggest banking monopolies is partly explained by the sharp fall in the price of the dollar in 1985-1986, given the increase in the price of the yen and the Deutschmark. But it undoubtedly also reflects the process of the uneven development of the world capitalist economy and the shifts among its three centers.

The universalization of credit activity has common roots with the trend toward internationalization. The regularities of capitalist accumulation make for the credit-finance institutions' constant aspiration to expand the range of transactions which they perform. The formation of all-purpose credit complexes (like "financial department stores"), which can deal both with corporations and individual clients, is taking place at the present time. Organized along the lines of concerns, at the center of which is a holding company owning the controlling block of shares of many specialized credit-finance corporations, such all-purpose credit complexes undertake a large number of diverse transactions. Competition is pushing them into newer and newer spheres, including trade in real estate, the financing of equipment leasing, the issuance of hitherto unknown securities and so forth. In the political economy sense this may be seen as the growth of new forms of capitalist socialization, and in the aspect of the functioning of the economy, as a certain increase in capitalist efficiency.

A most important influence on the credit-finance sphere has been exerted by the process of the deregulation of financial institutions closely associated with the general conservative shift in official economic policy. A common anti-inflation focus of economic policy has been ascertained in the main capitalist countries in the 1980's. In the financial sphere it has been realized in the form of strict control of the money supply by means of both direct measures to limit monetary emission and the indirect regulation of interest rates. A basic component of deregulation policy has been the lifting of various legal regulations and rules impeding the expansion of the major financial institutions and limiting competition in the credit-finance sphere. However, the very deregulation process has been taking place against a background of powerful trends of the self-development and transformation of the credit system and is imparting to these trends merely additional impetus and influencing certain

forms thereof. In addition, the experience of the circumvention of existing government restrictions and the creation of flexible forms of the organization of credit activity accumulated by the banks and other credit institutions had made ineffective and, at times, superfluous a whole number of official regulatory measures.

The handling of a growing volume of transactions in the credit-finance sphere would have been impossible without a process of financial innovations. The emergence of new forms of credit-finance service is affecting both national and international transactions of the credit-finance institutions. The innovations in the credit sphere are grouped around a number of areas: improvement of the forms of accumulation of loan capital by means of the electronization of the depositing and withdrawal of sums of money; the development of new types of accounts in the credit institutions and increased flexibility in this sphere; the expansion of credit-finance services for consumers both in the form of the attraction of individual savings and in the form of the granting of credit for final consumption; the creation of new types of shares and credit documents and the increased efficiency of their markets. The principles of cooperation, which are showing through increasingly graphically in the functioning of contemporary credit institutions, are imparting to the credit-finance system as a whole greater flexibility and capacity for responding more rapidly and efficiently to the changes in the need of individual sectors and enterprises for financial resources and contributing to the accelerated turnover of commodity-material stocks.

The evolution of the credit system has exerted an influence on the development of finance capital as a whole. The new features which are being acquired by finance capital are affecting primarily the traditional forms of the relations of the major credit-finance and nonfinance corporations—issuance of securities, the system of shares and credit relations.

The stock market boom of the 1980's and the huge scale of issuance of securities on national and international markets have contributed to a strengthening of the positions of investment banks issuing securities and dealing in them. Here, as in the merchant (deposit) bank sphere also, one is struck particularly by the rapid growth of the capital, revenue and international positions of the biggest Japanese investment banks, particularly the so-called "big four"—Nomura, Daiwa, Nikko and Yamai-chi.

Particular significance within the framework of the system of shares is attached to the confidential or trust transactions of the banks and other credit institutions. Management of the capital of investment companies, retirement funds and charitable foundations and other institutions and of individual capitalists may in some cases contribute to the formation of controlling blocks of shares being in fact in the hands of the biggest banks and other credit-finance institutions. According to data as of

the end of 1987, the biggest U.S. finance company, American Express, and the biggest banks, Citicorp, Bankers Trust, Chase Manhattan and Merrill Lynch, controlled assets of \$322 billion given their own assets of \$531 billion.¹¹

At the present time the development of the system of shares frequently leads to the conversion of banking and industrial enterprises into equal structural components of diversified concerns. Many major industrial and commercial enterprises are consenting to a merger with credit institutions and taking them over and sometimes establishing their own credit institutions. In the United States such concerns as General Motors, Ford Motor and General Electric and the trading giant Sears Roebuck own very big and all-purpose credit institutions. With these the industrial and commercial concerns accept deposits and deal in insurance and the trade in real estate. In the mid-1980's the proportion of income from credit-finance activity in the total gross income of the said concerns amounted on average to 20-25 percent.

The increased complexity of the investment and financial problems of business and the large scale of the mergers and takeovers of industrial corporations in recent years—all this is engendering an expansion of the financial consultancy function of the major merchant and investment banks and also a growth of specialized consultancy firms. It is difficult to exaggerate the significance attached to the concentration under the control of the financial institutions of most important financial and economic information.

The new features of the development of finance capital are causing an evolution of finance groups as a form of supracorporate associations of varying legal and actual status in individual countries. In the last 15-20 years the relative stability of the old finance groups has been shaken by the centralization, merger and takeover, and internationalization processes in the sphere of big capital. The formation of finance groups in new regions of the capitalist world and a restructuring of their spheres of influence have been taking place. Two most important trends of the development of finance groups may be distinguished. The first is the consolidation and aspiration to the greater organizational shape of the finance groups and the development and spread of holding companies and intercorporate share ownership as forms of modern finance groups (typical of Japan, Italy and France). The second is the formation of relatively decentralized associations based on an expansion of the boundaries, interpenetration and polycentrism of the existing groups (which has become prevalent in the United States, the FRG and Great Britain). In both cases the finance groups have gradually lost their traditional and family-dynasty nature, and institutional and managerist elements have strengthened in them.

Finance capital is personified in the financial oligarchy, the structure of which has in recent years been marked by a number of changes also. These changes are largely

connected with the evolution of capitalist ownership. The changes which have occurred in the credit system and the institutionalization of joint-stock ownership and control have confronted those studying finance capital with an important question: who is the ultimate proprietor, that is, the actual administrator and true master in the world of major corporations and financial institutions?

Great significance for an analysis of the ownership problem is attached to the growing professionalization of the management of capitalist enterprises. A possible approach to determination of the role of this process in the evolution of capitalist ownership and the structure of the financial oligarchy could be separation of the ownership, control and management categories and their interaction. The function of management here, organizational-technical by nature, could, given certain conditions, grow into control and come into conflict with external centers of control.

At the present time the managers of the major corporations are playing a growing part in the formation of the finance groups. A specific form of financial transactions pertaining to the buying up of corporate stock by the top managers, as a result of which the latter are becoming the firm's direct proprietors, is developing actively in the United States, for example.

The sources of the income of the top corporate managers are expanding and the size thereof growing. On average, up to half the income of a top manager in the United States is associated with the ownership of securities. Approximately 150 managers had an annual income in excess of \$1 million in the United States in the mid-1980's.¹² In terms of their position the top managers are members of the most influential business and political circles, constituting an increasingly pronounced part thereof. The increase in the role of managers is, obviously, a most important change in the structure of the top stratum of present-day bourgeois society. At the same time the question of the personification of finance capital has not been resolved conclusively, and study of the structure of the financial oligarchy is of considerable significance.

As a whole, the development of present-day finance capital is connected with the principal trends of the development of the capitalist economy. Finance capital is contributing to the further centralization of payments—credit relations and the formation and accumulation of monetary capital, without which the accumulation of real capital is impossible. It is a factor making for capital's capacity for abandoning stagnating sectors and switching to the technologically advanced and rapidly growing sectors. Finance capital and economic efficiency—this aspect of the question requires more in-depth study at the present time.

Nor must sight be lost here of the destabilizing impact which processes in the credit sphere could have on the general economic situation in an individual country or group of countries. Severance of the movement of fictitious capital from the processes occurring in the material production sphere, the surge in share prices in 1986-1987 and the stock market crash which followed them are merely symptoms of the new manifestations of the economic instability of capitalism as a whole and the credit system in particular.

State-Monopoly Regulation in the 1980's

The unfolding of the S&T revolution, the internationalization of the capitalist economy and the changes accompanying them in economic structures have confronted state intervention in the economy with new problems also.

The postwar development of state-monopoly capitalism—right down to the mid-1970's—proceeded within the framework of liberal-reformist, and in a number of European countries, social-reformist forms of state intervention in the economy. However, the deterioration in the conditions of reproduction on the frontier of the 1970's-1980's, the reduction in the rate of economic growth and production efficiency and profitability and the avalanche-like growth of inflationary tendencies exacerbated the competitive struggle among the industrial and banking groups and between individual national detachments of capitalists. The task of the capitalist rationalization of production based on the introduction of new equipment and technology and the increased exploitation of wage labor moved to the forefront. The previous reform model of state-monopoly regulation proved inadequately adapted to the accomplishment of these tasks. The problem of the replacement of methods of state regulation of the economy which had not justified themselves or which had become exhausted emerged in full strength. The majority of developed capitalist countries responded to this challenge with a restructuring of relations between the state and the private sector, which came to be called the conservative shift in state regulation of the economy.

A number of fundamentally important questions arises in this connection. Why did the crisis of state regulation of the economy which spread in the 1970's bring about precisely a conservative reaction of the bourgeoisie? What objective processes in the development of the productive forces and production relations predetermined such a change of scenario of the development of state-monopoly capitalism?

What changes in the structure of "the state—enterprises" relations are of a long-term nature? Is it possible to speak of a lessening of the extent of state intervention in the economy or is it rather a question of a change in the form of this intervention?

The basis of the current restructuring, which has encompassed not only private-capitalist forms of management but also state intervention in the economy, are the truly revolutionary changes in the development of the productive forces and the processes of adaptation of production relations which they have brought about. Its sources and the forms which it is assuming are most closely connected with and determined by the particular features of the current stage of the S&T revolution and the internationalization of capitalist economic relations and also the cardinal changes in the social structure of present-day capitalist society.

A role of considerable importance was performed also by the increase in the contradictions born of the extensive growth of the machinery of state and the growth of its involvement in the processes of production and, particularly, product distribution and also by the increase in directive and disciplinary methods of intervention in the economy. Until recently we paid the main attention to the positive aspects of the impact of the state on economic processes. However, experience shows that this influence is contradictory and that the costs connected with it may themselves under certain conditions engender serious negative effects impeding economic development and requiring not so much a further expansion of state intervention as a change in its forms and its increased efficiency.

This is why the deep-lying reason for the conservative shift is not simply a thirst for social revanche. It was brought about by an endeavor of the bourgeoisie and the governments of capitalist countries to solve a central economic problem brought forward by the current stage of the S&T revolution: increasing competitiveness, enhancing the efficiency of production and lowering costs based on a global offensive against the positions of the working people both in the sphere of the conditions determining the level and rate of growth of wages and on the basis of a reduction in the state's social spending and a certain dismantling of the vast state sector for the purpose of expanding the field of competition and the action of typically capitalist principles of management. But it is for this reason that the conservative course in economic policy has been a far from unambiguous process. The offensive against the working people's rights and conquests, the weakening of social guarantees designed to strengthen labor discipline by typically capitalist methods and the lowering of social spending under "austerity" slogans have combined and been interwoven with a rationalization of relations between the state and capitalist enterprises, a diminution in direct forms of intervention and bureaucratic control, decentralization and a reorientation of economic policy toward the accomplishment of long-term goals of economic growth.

It is significant that the conservative restructuring of state intervention in the economy began with and was born of not simply the assumption of office of conservative parties. The latter merely brought the political form into line with the reorientation of economic policy which

had become necessary under the influence of the change in objective economic conditions at the end of the 1970's-start of the 1980's. For example, the J. Carter Democratic administration had begun to pursue a conservative policy in the United States at the end of the 1970's. The socialist F. Mitterrand government was forced to depart from many of its promises at the start of the 1980's. The victory of the conservative parties in many developed capitalist countries completed this process.

The scale and content of the conservative restructuring are a topic of acute debate both among Marxist economists and among Western economists. They are born not only and not so much of the fact that some people are upholding the "correct" viewpoint, while others are profoundly mistaken. These differences are largely the result of the changeability of actual reality, the variability of many of its processes and the transitional nature of the period in question itself in the development of the productive forces and the production relations adapting to them. They are frequently engendered by the difference in the practice of governments of individual capitalist countries as a consequence of particular features of their historical development, the degree of state penetration of the economy, the seriousness of social and class contradictions, the degree of organization of the working people and their resistance to the conservative changes and, finally, the force of tradition and so forth. This is why such importance is attached to a collation of the specific experience of individual countries for obtaining a general picture of the changes occurring in state regulation of the economy—in its material basis and in economic policy in the current period. Nonetheless, it would seem to us, it is essential in the approach to a study of this problem to avoid two extreme, equally *a priori* judgments: that in principle nothing has changed in the mechanism of state-monopoly capitalism—inasmuch as the state retains its economic functions—and that a trend toward a dismantling of state intervention in the economy as a whole, regardless of the forms of this intervention, is being observed.

In our opinion, such assessments are based on a disregard for the possibility of different strategies of state regulation and, consequently, different versions of economic mechanisms in the development of state-monopoly capitalism itself experiencing the influence of these strategies.

Liberal-reformist, social-reformist and conservative strategies (just like military-state capitalism)—however conditional and one-sided these terms—are a historical reality and have appreciable differences in the approaches to determination of the role of the state in the economy and methods of state intervention in the reproduction process.¹³ In addition, it should not be forgotten that in the course of historical development conservatism has changed also. Modern conservatism has assimilated a good deal from the reformist ideas and

by no means rules out the necessity for modest state intervention in the economy and social sphere (basically as an institution establishing the rules of the game, but not an active participant in day-to-day economic life).

As a whole, we proceed from the fact that the conservative shift does not signify a dismantling of state-monopoly capitalism as the form of the existence and development of modern capitalism. The state has been and remains a most important component of its socio-economic mechanism—this proposition requires no special proof. The genuine task of research is to ascertain and show the sum total of changes which to this extent or the other have affected and restructured the very strategy of regulation and to what extent these changes may persist in the future.

The conservative restructuring of economic regulation presupposes that competition, the market and also private-monopoly elements of planning gain priority significance and that state intervention directly in the production process and redistribution diminishes given a simultaneous increase in its role in securing the strategic conditions of the development and growth of its countries' competitiveness. This is its basic content manifested in a whole set of structural transformations which have encompassed all developed capitalist countries to this extent or the other. It is a question primarily of the broad scale of privatization of state property.

On the frontier of the 1970's-1980's first in Britain and subsequently in other countries governments of a conservative persuasion embarked on the extensive sell-off of state enterprises operating on commercial principles in the spheres of production, services, transport, communications, credit and so forth.

Partial (and, in a number of cases, stadial) privatization is being accompanied by an expansion of the scale of the mixed, state-private form of the organization of economic activity oriented toward active participation in competition. The mixed form proves in many cases on the one hand to be more economically efficient (particularly in sectors with a considerable cost recovery timescale and acute international competition) and, on the other, sufficiently flexible from the viewpoint of choice of sources of financing of growth (overseas financial markets included).

Also geared to a stimulation of the market mechanism is a reform of the management of state companies in many countries (Great Britain, France, Italy) expressed in the granting of these companies greater economic freedom and financial autonomy. The modernization of organizational structures and methods of management has been aimed at enhancing the role of the pricing mechanism, extending market discipline to the terms of the supply of the goods and services of the state corporations and overcoming the artificial unprofitability of many of them.

This reform has been aimed against unwarranted centralization and strict bureaucratic control. Companies (in industry and the infrastructure) which had monopoly (or close) status on the corresponding markets were its target primarily. The granting of economic autonomy (given that relations with the state are built on the basis of contracts) afforded an opportunity for the profitable functioning of a number of state enterprises. The idea of the organization of the state's relations with the companies belonging to it on the basis of use of the contract mechanism is gaining ever increasing recognition and becoming increasingly widespread in various countries.

An abandonment of the direct regulation of prices and tariffs and also certain other forms of regulation constructed on the basis of strict regimentation is being observed everywhere in the public sector. These changes have been manifested most graphically in the United States, where such sectors as air transport and truck transport and the telecommunications sphere, which have traditionally been private, have not come under direct government regulation. In France, where state price control was practiced the most extensively (this was a component of dirigisme), all forms of price control had gradually been wound down as of the end of the 1970's. The almost total liberalization of industrial prices and tariffs in the service sphere had occurred by the mid-1980's. In Great Britain the state has also departed from the use of the price of goods and services of the public sector as an instrument of anti-inflation regulation and social policy. Experience has shown that such regulation is justified merely as a temporary measure inasmuch as it brings about a deformation of price structures, provokes the development of various methods of circumventing price regimentation, is accompanied by stagnation phenomena and engenders enterprises' artificial unprofitability and their growing pressure on the national budget.

The orientation toward competition predetermined the ever increasing prevalence of forms of the state's interaction with the private sector which signify a kind of privatization (or quasi-privatization) of certain economic functions of state power (particularly at the regional and municipal levels) associated with satisfaction of collective requirements. The state divests itself of direct economic activity if it can be exercised sufficiently efficiently by private companies under the aegis and control of the state. This is achieved by means of a contract system, where the state, allocating contracts and employing the practice of competitive tender, hires private companies or purchases their products.

Under the new conditions there has been a change in the priorities and goals of economic policy. Questions of long-term growth, S&T policy and a strengthening of the country's economic potential based on profound structural changes (re-industrialization) and the qualitative updating of the production base and its increased competitiveness have played the main part therein.

At the present stage of the S&T revolution the main channel of the state's influence on the structural reorganization is the state's activity in the sphere of the organization, financing and stimulation of S&T research. The state is endeavoring here not so much to itself carry out the research and directly finance spending on R&D as to increasingly actively stimulate private spending to this end, participating in risk-sharing.

Interstate interaction associated with participation in international technology cooperation also is developing in the field of research and industrial development. This applies primarily to the EC countries, where joint projects are being implemented in respect of a number of key directions of science and technology (specifically, in the sphere of the telecommunications infrastructure).

There has also been a change in the reference points of macroeconomic regulation based on traditional instruments of indirect control of the course of reproduction with the aid of tax-fiscal and credit-monetary policy. Employment and stabilization of the economic cycle were at the forefront in the previous polygon of goals. In the 1980's anti-inflation policy has assumed the priority role. The slowing price rises and the stability of monetary circulation have come to be seen as the principal prerequisites of an increase in the private accumulation of capital, increased efficiency, acceleration of the growth rate and the solution of structural problems in the long term. It is for this reason that credit-monetary regulation has come to be of prime importance. And although credit-monetary policy remains a most important lever of pressure on economic conditions, its priority task is curbing the rate of growth of the money supply.

The long-term approach to economic policy designed to create the conditions the most conducive to the private, profitable accumulation of capital has brought about important changes in tax-fiscal regulation.

Conservatism proclaimed a departure from the use of government spending as an instrument of stabilization of the economic cycle, shifting the accent to the long-term stimulation of economic growth by way of a reduction in the tax burden and a streamlining of the taxation structure. The "neutrality" of the tax system, the ideologues of conservatism believe, is a most important condition for the free manifestation of market forces and the optimum distribution of resources on a market basis. A restructuring of the tax system has begun in this connection in a number of countries for the purpose of a significant reduction in the scale of the tax liability of firms and the degree of redistribution of national income via a progressive system of income tax, thanks to which the highest income groups of the population are the winners primarily. Significant changes in this direction have been made in the tax systems of the United States, Britain, the FRG and Japan.

Simultaneously a broad offensive against government spending—its amount and structure—began. Balancing the budget was proclaimed a criterion of sound government finances. However, such an aim in practice developed not into a reduction in budget deficits but a cutback in social and industrial spending given a simultaneous increase in military appropriations. As a result of the "austerity" measures which were adopted in all the developed capitalist countries the increases in spending on health care, education and municipal housing construction was reduced. There was a reduction in the numbers of persons in receipt of benefits and a lowering of the amounts thereof, the timeframe was shortened, taxes were imposed and so forth. And although the increase in the scale of unemployment and also the proportion of persons of retirement age prevented a reduction in the proportion of social spending in national budgets, nonetheless, the brakes were applied to the extraordinarily rapid growth of this proportion which had occurred in the 1960's-1970's, and it stabilized in the majority of countries.

The attempts to solve the problems of deficits at the expense of social spending based on a dismantling of the sphere of social services created by decades of the working people's persistent struggle are a source of growing social tension in society. Together with the abolition of a number of legislative restrictions in the sphere of the hiring and firing of manpower, the right to strike and other measures aimed at deregulation of the labor market, they are contributing to a buildup of social discontent with the policy of the conservative governments. It is for this reason that no government has succeeded in implementing the demands of the far right, and social spending remains and will continue to be a most important component of the national budget.

State regulation of the developed capitalist countries is encountering new, more complex problems and contradictions in connection with the rapid and uneven development of the interdependence and internationalization of various parts of the world capitalist economy.

The world capitalist economy is a vital, constantly developing economic organism. Its self-development is being accompanied by and at the same time realized to a considerable extent through the medium of the constant change in the mechanism of its self-regulation. The modification of these mechanisms amounts on the one hand to a relative increase in the role in them of elements of the purposeful macroeconomic impact of the managing subjects represented by giant TNC. This trend is developing, however, in constant confrontation with countertrends, and for this reason the picture of the development of the regulatory mechanisms is far from unambiguous.

An important role in the emergence of destabilizing countertrends on the markets of the world economy now belongs to the currency-finance sphere. The collapse of illusions concerning the possibility of the use of the

mechanism of "floating" currency exchange rates as an automatic stabilizer of the balances of payments and the insistent need for the achievement of at least the relative equilibrium of international economic exchange and currency payments and for prevention of the spread of foreign economic disorderliness to the domestic economy forced the ruling circles of Western countries to pay considerable attention to an improvement in multilateral forms of the coordination of state regulation of the world economy. This trend led to annual meetings of the seven leading Western states at the highest level being held as of the mid-1970's.

Profound changes are under way in the very nature of the coordination of capitalist states' economic policy. Whereas in the first postwar decades the subject thereof was basically the elaboration of mutually acceptable rules of noninterference in the affairs of private business aimed at the liberalization of international exchange and the division of labor, the following task has arisen increasingly distinctly as of the start of the 1970's: supplementing concerted noninterference in foreign economic relations with growing intervention in certain spheres of these relations in order to stabilize them (for example, the collective efforts pertaining to the recycling of petrodollars and the pursuit of a common policy in respect of the oil-exporting countries in the 1970's; the elaboration of collective measures to ease the developing countries' foreign debt crisis in the 1980's).

The trend toward transition from the multilateral coordination of capitalist states' foreign economic policy to the coordination of their domestic economic policy (the central banks' discount policy, regulation of the budget deficit and so forth) has emerged increasingly distinctly recently.

This innovation in the mechanism of the West's interstate economic regulation reflects the endeavor of world capitalism to adapt to present realities, primarily the abrupt increase in countries' economic interdependence as a result of the internationalization of economic activity. The events of October-December 1987 connected with the world stock market panic and the abrupt fall in the value of the dollar on international currency markets served as a new argument in support of the need for an intensification of such coordination.

The said trends in the development of interstate regulation do not signify the appearance of a "controlled" world economy. In all cases the settlement of acute problems is paid for by the weakest countries or the least well-off strata of the population within the countries. Such are the laws of capitalism. But it remains a fact that domestic and international contradictions are not shaking it to its foundations and that this system is continuously seeking new ways and means for adapting to the changing conditions of social production.

How the role of the state in the economy will develop and change in the future, time will tell. It cannot be ruled out that, having solved many problems of the reorganization of their countries' economic structures, enhanced their competitiveness and efficiency and having encountered an exacerbation of social contradictions and a growth of social discontent, the governments of developed capitalist countries will once again address themselves to the priorities and methods of regulation of the economy proclaimed by the liberal-bourgeois course and will once again pay more attention to problems of a stabilization of economic growth, the employment level, social equality and so forth.

Even now many pointers indicate that both the political and ideological axis is shifting toward the center. Moderate conservatism, which is gaining the ascendancy, is converging with liberalism which has moved to the right. This is being expressed in both the theory and party-political programs of both conservative and liberal democratic parties. However, to say that conservatism as a whole, despite certain setbacks and blunders, is already becoming a thing of the past would, in our view, be premature.

In addition, the lessons and experience of the past will hardly fail to influence the theoretical concepts and political programs of the reformist forces. The crisis of government finances associated with the previous policy of the swelling of government spending and deficit financing; the undermining of the confidence that state enterprise is capable of solving many production problems better than private enterprise; the growth of the machinery of state and the loss of efficiency from inordinate centralization and bureaucratization; the negative influence of taxes on incentives to save and labor activity; and many other problems—all this is making its mark both on the ideas of the politicians opposed to the conservatives and on the theoretical concepts of the economists who continue to champion the need for broader forms of state intervention in the economy, particularly in the social sphere. The reformist alternative is being formulated today with regard for these new problems which have arisen in the development of present-day capitalism.

Footnotes

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1. As a result of mergers and takeovers approximately 90 disappeared from the 500 industrial giants in 1980-1986 in the United States.

2. See BUSINESS WEEK, 12 January 1987, p 38.

3. See FORTUNE, 27 April 1987, p 21.

4. In the FRG the proportion of companies with a capital of DM1 billion and more in 1965-1980 increased from 4 to 12 percent of the total value of share capital; the proportion of the 10 biggest industrial concerns in output, employment and spending on research in the 1980's is growing. The relative significance of the 100 biggest firms in the share capital of all British companies registered on the stock exchange in 1972-1982 grew from 54 to 64 percent. In the United States the proportion of the top 200 firms of manufacturing industry had grown somewhat by the mid-1980's following a pronounced decline in 1973-1974 in sales and assets; but the 25 biggest nonfinance corporations' share of assets in 1984 was 13 percent compared with 17 percent in 1970, that of the 100 biggest, 27 and 29 percent respectively.

5. The 10 biggest concerns in the FRG in the mid-1980's accounted for 18 percent of the numbers of those employed in and the product of industry, 27 percent of capital investments and 45 percent of spending on research. In the United States the 100 biggest firms' share of the manufacture of industrial output constitutes approximately one-third, in spending on research, roughly 80 percent.

6. In 10 sectors, whose spending on R&D was 2.4 times higher than the average level, the rate of increase in sales was 1.3 times above the average in the United States in 1980-1984. In the first half of the 1980's the 10 biggest U.S. corporations leading in terms of spending on R&D surpassed in terms of turnover growth rate the indicator for 820 corporations by a factor of 2.5.

7. The Super Value Stores wholesalers and retailers cooperative association in the United States heads the list of the biggest monopolies in the service sphere; in the FRG the Edeka cooperative also occupies the leading place in the group of trading giants.

8. Estimated from "Economic Report of the President," Washington, 1988, pp 248, 325.

9. See INTERNATIONAL FINANCIAL STATISTICS, IMF, September 1988, pp 538, 312, 242.

10. Estimated from THE BANKER, July 1987, pp 71, 85, 95, 97-107, 113.

11. Estimated from EUROMONEY, February 1988, p 72; FORTUNE, 6 June 1988, pp D13, D19.

12. See BUSINESS WEEK, 5 May 1986, p 57.

13. See "Critique of Bourgeois Theories of State-Monopoly Capitalism," Moscow, 1984. Endeavors are made to express this differences in different terminology also. H. Jung, a Marxist scholar from the FRG, writes, for example, about the reformist-statist and conservative—private-monopoly versions of the development of state-monopoly capitalism (see MEMO No 2, 1988, pp 82-89). The British economist (Dzh.) White cites two models of economic policy—corporate (based on centralized decision-making on the basis of a balance of the interests of the state, business and the unions) and competitive (based on market methods) (see "New Priorities in Public Spending". Edited by M.S. Levitt, Aldershot, 1987, pp 30-31). French economists counterpose to the neoliberal form of regulation the Ford-Keynesian form (see MEMO No 2, 1988, p 72).

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Roundtable on 'Transnationalization' of World Capitalist Economy

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[Roundtable discussion: "Transnationalization in the Modern Capitalist Economy: Essence, Criteria, Trends"]

[Text]

A tradition of the scientific life of the USSR Academy of Sciences IMEMO are regular meetings of leading scholars to discuss new little-studied problems of the political economy of capitalism with which modern reality confronts experts. We offer readers the material of one such discussion devoted to problems of transnationalization.

Doctor of Economic Sciences D. Smyslov. The introduction in scientific usage of the term "transnationalization" of the capitalist economy initially gives rise to puzzlement and arguments. It seems that the use of this term together with the "internationalization" concept, which has long been applicable in literature, could give rise to confusion and disagreement in economic terminology. At the same time, however, the appearance of the term "transnationalization" is prompting a closer examination and more dependable evaluation of the current level of internationalization of production and capital and the whole economic life of the capitalist world. It is to be ascertained whether the process of the internationalization of the capitalist economy has not attained some new, higher level compared with the situation which existed 10-15 years ago, say.

First, private overseas capital investments have attained tremendous proportions in the capitalist world. The sum total of direct overseas investments grew from \$67.7 billion in 1960 to \$551 billion in 1980 and \$712 billion

in 1985. A ramified network of transnational corporations, that is, vast economic complexes including enterprises located in various countries, has taken shape on the basis of the export of productive capital. Currently approximately 10,000 corporations have production capacity beyond national boundaries, including 751 corporations with a turnover of more than \$1 billion each. They own more than 90,000 overseas affiliates in 125 countries.

There has been a considerable increase in the aggregate gross product of capitalist states in the proportion of output produced at enterprises owned by TNC. According to available calculations, in 1960 this proportion constituted 14.5 percent, but in 1978 had grown to 26.1 percent. By the start of the 1980's the TNC accounted for over one-third of industrial production and also for more than half of foreign trade and approximately 80 percent of new equipment and technology patents in the capitalist world (according to the CPSU Central Committee Political Report to the 27th party congress).

Simultaneously there has been a palpable expansion of the overseas affiliates' share of the TNC's production activity. Thus in 1980 some 382 leading TNC used at their overseas enterprises 46 percent on average of their total employed personnel, and overseas sales constituted 40 percent of their turnover. At the present time the proportion of the manufactured product, assets and persons employed at overseas enterprises of a number of major TNC is considerably in excess of 50 percent. The scale of international production is also indicated by the fact that the proportion of foreign capital in the total output of manufacturing industry constitutes in Great Britain 21.2 percent, the FRG, 21.7 percent, Italy, 23.8 percent, and in France, 27.8 percent.

Second, a certain shift in the geographical focus of the exports of long-term capital from Western countries is taking place. Exports from the United States have slowed, whereas the amount of the direct foreign capital investments of a number of other Western countries is increasingly rapidly. As a result the United States' share of the sum total of the capitalist states' direct overseas capital investments declined from 47.1 to 35.1 percent in 1985 compared with 1960, and the share of the main West European countries (Great Britain, Italy, the Netherlands, France, the FRG, Switzerland and Sweden) together remained practically at the former level (41.5 and 41.6 percent), but the share of Japan and Canada, on the other hand, grew from 0.7 to 11.7 and from 3.7 to 5.1 percent respectively.

Direct foreign capital investments in the American economy are increasing considerably. In 1983-1985 this country found itself for the first time since WWII playing the part of net importer of such capital. The ratio of the value of foreign direct investments in the United States to the sum total of analogous American investments overseas constituted less than one-fifth in 1970, over one-third in 1980 and more than four-fifths in 1986.

This process is contributing to a certain extent to the surmounting of the national one-sidedness and "Americanocentric nature" of the aggregate capital of the capitalist countries' TNC.

Third, an important process is the rapid internationalization of the banking sphere, which is expressed in the tremendous increase in the overseas activity of the biggest merchant banks. The gross asset value of foreign branches and subsidiary affiliates of banks and other financial institutions of the United States grew from \$59.7 billion at the end of 1970 to \$478.8 billion at the end of 1983, that is, eightfold. Correspondingly, the ratio of this value to the sum total of American banks' domestic assets increased from approximately 7 to more than 20 percent. Net overseas assets (minus accounts in financial institutions belonging to the same banking group) grew in this period even more significantly—by a factor of 11.7.

The internationalization of the West's banking sphere has turned the biggest merchant banks into powerful transnational banks (TNB). Currently 84 of the 300 biggest banks are transnational, as are 64 of the 100 biggest, and 43 of the 50 biggest. The countries of origin account, as a whole, for two-thirds of the volume of transactions of the TNB, and overseas, for one-third, including industrially developed countries, for 60 percent.

Fourth, the fact that the relative diminution in the role of American capital given a simultaneous expansion of the positions of the Japanese and, to some extent, West European competitors in the international finance-banking sphere is being manifested even more intensively than in world production calls attention to itself. The sum total of assets of banking institutions of foreign origin in the United States grew from \$32.3 billion in December 1973 to \$398 billion in June 1985 or by a factor of 12.3. Correspondingly, their share of the assets of banks located in the United States and owned by both foreign and American capital increased from 3.8 to more than 14 percent.

The change in the correlation of forces in the capitalist world's international banking activity has been manifested in a relative weakening of the significance of U.S. banks and a strengthening of the positions of their rivals based in Japan and certain West European countries. In 1966 the West's 10 biggest (in terms of value of the deposits) banks included 6 American, 2 British, 1 French and 1 Canadian. In 1986 this list no longer contained a single American bank. The first 7 places were held by Japanese, followed by 2 French and 1 West German bank. The biggest American bank—Citibank—was in 17th place only.

Fifth, the increasing specialization of regional financial centers of the capitalist world is of appreciable significance. Thus branches of American TNB in London put the emphasis on short- and medium-term Eurocredit,

currency transactions, consultation activity and information services. The financial centers of Zurich, Frankfurt-am-Main and Paris specialize in bonds and stock deals; Hong Kong and Singapore, short-term interbank credit; Bahrain, transactions connected with petrodollar transfers; and so forth.

All this is the result of the exhaustion of the possibilities of the extensive international expansion of banking capital. Under the conditions of the practically completed "partitioning" of the world loan capital market the TNB, operating in various financial centers, have been forced to look for additional potential for an increase in competitiveness by way of concentration on particular types of transactions. This process is closely connected also with the extensive computerization of banking and the use of the latest communications and telecommunications.

The specialization of the world financial centers evidently testifies to the appearance of some forms of integration of national and international loan capital markets and the crystallizing out of the contours of a uniform mechanism of the money market, some components of which complement others. And it is perfectly probable that the situation on this market and the dynamics of interest rates will begin to take shape under the influence of the changing correlation between the demand for loan capital and its supply on the scale of the entire world capitalist economy.

What are the results of the impact of the sum total of the above-mentioned new phenomena, trends and processes on the evolution of the world capitalist economy? Undoubtedly, primarily the tremendous growth of the interdependence, interpenetration and interweaving of the national economies. But this is only one aspect, the other, and most important, is the formation of transnational monopoly capital (discussed at the 27th CPSU Congress) and the conversion of the TNC and TNB into the principal subjects of the world-economic sphere. It is of fundamental importance that some stable capitalist community, which regards the whole world as a single economic space and aggregate sphere of its commercial, financial and, what is most important, production activity, has emerged. A shift is under way in the motivation of the economic decisions of the TNC and TNB from an orientation toward a nationally limited framework toward approaches characterized by international dimensions.

There is one further important aspect of this problem. Many studies of Soviet and foreign economists are revealing the existence of wide-ranging, ramified relations between overseas affiliates of the transnational banks and other credit-finance institutions on the one hand and industrial corporations on the other. Such relations are either of an institutional nature, that is, are expressed in an interweaving of the property of both, or

are manifested in an increase in functional interaction—an expansion of financial and credit transactions. In certain instances they assume in practice the form of merger.

All this is reason to conclude that transnational monopoly capital is (or is, at least, becoming) simultaneously finance capital also—in the sense with which V.I. Lenin invested this concept with reference to the national economy of capitalist countries. The main nucleus and primary cell of transnational finance capital are the TNC and TNB, in which overseas daughter companies and affiliates are controlled by a head enterprise.

The functioning of transnational monopoly (finance) capital, given the parallel existence of nationally separate state-monopoly complexes, is leading to the emergence of profound contradictions in the world capitalist economy. Guided by the profit maximization motive, the TNC and TNB are in the process of investment activity, depending on a change in the economic climate in this country or the other, constantly maneuvering commodity, financial and production resources on the world scene and transferring fixed capital from one country to another. Endeavoring to derive speculative income from the differences associated with fluctuations in interest rates and currency exchange rates on individual money and currency markets, they transfer huge amounts of short-term capital from country to country ("hot money"). Ultimately this destabilizes the national loan capital markets (to the extent that they preserve their separation) and, correspondingly, the country's economic mechanisms.

The activity of the TNC and TNB is leading together with other factors to constant disturbances of the balance of the international payments turnover. Such disturbances are prompting the use of national mechanisms of the adjustment of balances of payments, including currency rates, interest rates and other instruments of macroeconomic policy. These mechanisms, in turn, are having a painful impact on economic conditions, reproduction conditions, the monetary-price sphere, employment and the living standard of the working people of capitalist countries. As a result there is either a recession and growth of unemployment or increased inflation.

The process of the formation of transnational capital as a specific form of capital and particular community opposed to nationally separate capital requires its own terminological description. The "transnationalization" concept would seem entirely suitable for this. True, use of the term "transnationalization" is associated with certain inconveniences also. Corporations in which the capital of some one country is palpably predominant are customarily called transnational, as distinct from multinational. For this reason use of this term creates the idea of a configuration of transnational capital which presupposes the presence of two asymmetrical elements—some center customarily painted in our minds in a particular national color and a periphery which is "transnational" in relation to it.

The center controls the periphery here. Inasmuch as under present conditions only the United States could be such a center, transnational capital is perceived as its actual continuation. But such an understanding does not entirely accord with the theoretical notion of international capital as a community separated from national soil. True, it has to be admitted that the interpretation of transnational capital as "American-oriented" as yet corresponds to the actual state of affairs to a considerable extent.

Some Soviet authors suggest their terms to denote the process in question. Thus Yu. Osipov (Moscow State University imeni M.V. Lomonosov) terms it "worldization," others, "multinationalization". However, there are still no grounds, in our view, for abandoning the use of the "transnational capital" and "transnationalization of the economy" concepts, which have already become firmly established in scientific usage.

A need for comparison of the terms "transnationalization" and "internationalization" arises. From my viewpoint, the first pertains to the second as to the whole. The "internationalization" concept is broader than "transnationalization": besides the formation of international industrial and financial concerns based on direct overseas investments providing for control over property, it incorporates a wide spectrum of economic relations between countries—trade, credit relations, international payments and so forth.

However, the process which we have agreed to call transnationalization emerges merely at a particular level of development of internationalization—when it leads to the formation of transnational monopoly, finance capital. Transnationalization gemmates, as it were, from internationalization and enjoys independent development. And it is this process which primarily endows world capitalism as a whole with some fundamentally new, essentially significant features.

There arises in this connection the question: has not the transnationalization process cardinally changed the entire mechanism of the functioning of the economy of present-day capitalism, has it not done away with the separateness of the national economies and has it not formed a mechanism of world capitalist reproduction? In other words, should we not be speaking of capitalism's entry into a new stage (phase) at which it could be called transnational, international, supranational and so forth state-monopoly capitalism? Certain Soviet and foreign Marxist economists are coming to this conclusion.

It needs to be mentioned primarily that an affirmative answer to the question is an extraordinarily important conclusion, which could not fail to have serious political and ideological consequences. Specifically, such a conclusion must lead to a reevaluation of the interpretation of the processes of the unevenness of the development of individual parts of the world capitalist economy, the role

of national interests of capitalist states and the significance of the contradictions between them. In this situation the center of gravity would evidently shift to the rivalry of the transnational monopolies with one another, irrespective of national borders.

Of course, if the formation of transnational state-monopoly capitalism is seen as a long evolutionary process, a whole era in the history of capitalism, the fact of the development of such a process is not in doubt. But the assertion that capitalism is in this condition right now (or is on the point of reaching it) would not seem justified. A change in phases of the development of capitalism as a social and economic formation may occur, evidently, only as a result of cardinal shifts in production relations and the presence of a certain totality of mutually conditioned changes encompassing both the sphere of the economy and the sphere of policy. In my opinion, such a complex process goes beyond the framework of the transnationalization phenomenon, which should be attributed merely to the economic basis.

The proposition concerning the transnationalization of state-monopoly capitalism does not acquire sufficiently convincing corroboration from the viewpoint either of the economy or policy. To speak of economic processes, it is impossible, of course, to cite a precise frontier (proportion of the TNC's production in the capitalist aggregate gross product, for example) whose attainment by the transnational sector would signify the capitalist economy's transition to a qualitatively new condition. Nonetheless, the fact that at the present time approximately two-thirds of the capitalist world's output is produced by national companies cannot be disregarded. Granted the scale of transnationalization processes, it testifies to the continued predominance of national over transnational production.

The formation of transnational monopoly, finance capital has not led to the assimilation and dissolution of nationally separate capital. It is as yet a long way also to the synchronicity of capitalist countries' economic cycles. The specific features of national economic mechanisms (the monetary-credit, fiscal-financial and tax systems) are reflected appreciably, as before, in the formation of the structure of the finance groups and the functioning of individual-country economies. Important factors countering the transnationalization process are the differences in social conditions in individual countries and the tenacity of political, cultural, social and other national traditions and institutions.

The transnational corporations themselves have not severed the "umbilical cord" connecting them with national capital. The complex dialectic of their relations with this capital reflects the existence of both contradictions and a certain community of interests. Finally, the economic processes occurring in the industrially developed and developing countries differ sharply.

Even more grounds for objecting to the conclusion concerning the conversion of modern capitalism into transnational state-monopoly capitalism are afforded by the political sphere. True, in some cases, when the interests of the TNC and TNB are not at variance with those of the national bourgeoisie of the countries in which they are based, the state authorities of these countries render their activity the utmost assistance. The mechanism of interstate regulation of world-economic processes is a real factor. It is represented by a number of international economic organizations, annual top-level meetings of the "seven" and also regular meetings of finance ministers and central bank managers of the leading capitalist countries.

A certain shift has been discerned here as of the mid-1980's toward the closer and more detailed coordination of current macroeconomic policies of the "seven". A policy of attempting to effect joint programming, as it were, in respect of a very wide-ranging set of basic economic indicators has been adopted. In addition, efforts are being made to establish Western countries' purposeful international cooperation in the sphere of long-term structural policy and promotion of the development of the most important directions of science and technology.

Interstate regulation is exerting a certain stabilizing influence both on capitalist countries' domestic economy and on the world-economic sphere. However, it is still very far from the supranational level at which international institutions might with the aid of economic instruments constantly keep the conditions of the world economy under control.

Meetings and discussions with American economists in the course of a research assignment in the United States convinced me once again that multilateral regulation in the West is exercised exclusively by way of the achievement of the consensus of the political aims of the participating governments, and they are guided chiefly by the interests of their national capital. For this reason the efficiency of international regulatory mechanisms is reduced owing to inter-imperialist rivalry. Thus the existing system of interstate regulation cannot be considered the full-fledged political component of transnational state-monopoly capitalism.

In conclusion I would like to say the following. Study of the processes of the internationalization and transnationalization of the capitalist economy may only be fruitful given a dependable statistical base. The present statistical evaluations of these processes are to a considerable extent of an basic research nature and are fragmentary and frequently based on the use of noncomparable data. For this reason an urgent task of economists is the elaboration of a harmonious, considered, comprehensive system of indicators which would afford an opportunity for characterizing the processes in question in all their breadth and multifaceted nature. We should

evidently set up a special working group to tackle this task and subsequently publish the results of its work in the form of a statistical sample in the MEMO journal.

Doctor of Economic Sciences V. Sheynis. The "transnationalization of production," "transnational capital" and "transnational capitalism" concepts have become widespread. An attempt is being made with them to attract attention to the essential, qualitative changes in the development of the capitalist economy and, particularly, the processes of its internationalization. The new terminology characterizes a most striking distinguishing feature of the current situation—the growth of the number and activity of the TNC. Such an approach is based on a certain scholarly tradition: at the start of the 20th century the division of the world and the widespread expansion of capital to the colonial periphery lent justification to the use of the "imperialism" concept to denote the new phase in the development of capitalism. Somewhat later the bourgeois state's deep incursion into the economy secured approximately the same role for the category of state-monopoly capitalism as a synonym for contemporary capitalism.

Currently, evidently, an understanding that although modern capitalism is characterized by imperialist tendencies and the state and big capitalist corporations (on account of which the concept of monopoly has taken root in Marxist literature) remain most important components of its economic structure, neither term is entirely (albeit to a varying extent) adequate for an exhaustive description of present-day capitalism, which, as the CPSU Program rightly emphasizes, "is largely different from what it was at the start and even in the middle of the 20th century". May such concepts as "transnationalization" or "transnational capitalism" be a capacious and summary description of these changes? I am inclined to answer this question negatively: the changes in capitalism's economic system do not boil down to internationalization, and internationalization is far from exhausted by the activity of the TNC.

The main task, in my view, is not finding a new adjective adequately reflecting the essence of modern capitalism (for which we are hardly now prepared) but a substantive characterization of the really profound changes, in the internationalization of economic life included, and problems and prospects arising in this connection. What is new in internationalization is inseparably connected with the modifications being experienced by the economic mechanism of capitalism at both the national-state and international levels.

An economic mechanism regulating the distribution of production resources, the assimilation of technical progress, reproduction quotas and external relations, determining the demands on production efficiency and so forth has taken shape at the highest level of the industrial system of the productive forces. This regulation is exercised on a contradictory basis: the automatism of the objectively unfolding cost processes, largely

operating behind the back of the producer, on the one hand and conscious, strong management (both within the limited framework of individual capitalist enterprises and on the scale of the whole national economy) on the other have their own, equally inalienable role. The absolutization of either of these two principles, whether it be the notion of the unconditional domination of spontaneous processes or of the ongoing undermining of commodity production, seriously distorts, in my view, both the current situation and the foreseeable future.

The correlation and forms of the linkage of these two mutually confrontational and complementary principles of the organization of the capitalist economy (typical, generally speaking, of any developed commodity production) do not remain invariable, neither do they change in an unambiguously preset direction. Elements of centralized regulation have grown, an increased amount of the income and resources of society has been withdrawn from the immediate impact of cost regularities and both the law of surplus value and the law of capitalist appropriation have undergone serious modification over a number of decades in the economy of the majority of capitalist countries. However, by the frontier of the 1970's-1980's the pendulum, which had been moving in one direction almost nonstop, had swung too far. This was signaled in the political sphere by the "neoconservative wave".

Without downplaying in the least the socially damaging and regressive aspects of this policy, it would be wrong to reduce it merely to an attempt at socioeconomic revanche and the winning back of positions which capital had earlier been forced to cede to labor, and individual proprietors, to the "aggregate capitalist". The certain rehabilitation of the market, competitive mechanism, the shift of accent from direct to indirect methods of state intervention in reproduction, the cautious revision of the arsenal of weapons of economic and social policy—all this is a response to the formation no longer of an industrial but scientific-industrial system of the productive forces, the growing interdependence of the national economies and changes in the social structure of society.

The supplanting or severance of economically inefficient and, at times, parasitical components of the economic system which had spread quickly in the bureaucratically controlled public sector or under state protection are taking place at the same time. As is frequently the case, the dismantling, albeit partial, of some more or less established levers of regulation without their dependable compensation by others which have yet to be found or which are as yet undeveloped engenders complex economic and social problems and exacerbates existing and advances new contradictions.

May all this be described simply as a reverse movement or a growth of crisis phenomena? This would be wrong, I believe, and the movement should be likened not to the swinging of an ordinary clock pendulum but to a

Foucault pendulum shifting to a different plane with every beat. A painful and socially conflict-ridden—nor could it be otherwise under capitalist conditions—search for new forms of the combination of automatic, market and centralized and strong regulation is under way—a combination corresponding to the dynamism, flexibility and constant readjustments of the contemporary system of the productive forces and the ideas taking shape in society about what is and what should be. The growing internationalization of production and, in addition, of all of social life is simultaneously prompting and complicating this transition.

Internationalization is highly diverse. On the one hand the proportion of exports and imports in the gross product of both the developed capitalist and developing countries is growing constantly. On the other, capitalist elements of a different nationality and sometimes denationalized elements devoid of a precise attachment to the economy of any country are becoming thoroughly interwoven in each national economy: from flows of "hot money" seeking higher interest rates and stock and bond prices through affiliated branches of the TNC.

Many specialists are warning against an overestimation of these processes inasmuch as the bulk of reproduction relations is confined, as before, to the framework of the national economies, while the TNC's share of the capitalist world's gross production is still comparatively modest. In my view, the new quality determines not the relative significance of interstate commodity and finance flows in itself but their role in the transformation of the world economy. As a single national market once took shape in the place of unconnected local markets in each country in the era of the coming into being of capitalism, so now the formation of a single world market, within the bounds of the world capitalist economy as yet, has entered a decisive phase.

At first sight such an assertion may seem to be several hundred years behind the times. But it is not a question of the emergence of some bazaar at which a limited, albeit constantly growing, part of the goods of national production is exchanged but of the formation of a universal international market cost (and, of course, its modification—the price of production). Its normative, "standardizing" role extends not only to the commodities entering international turnover but also the entire set of conditions of national (as, once, local) production, primarily the criteria of its efficiency. Of course, this process is not complete but the predominant trend has been determined entirely unequivocally, and the pace of internationalization-universalization is accelerating.

Verification by world criteria (and they naturally gravitate toward the conditions of the technically most advanced industries which have imbibed the achievements of the S&T revolution) distinguishes in each country more or less efficient sectors of the economy corresponding and not corresponding to these criteria.

Inasmuch as the correlations between them vary considerably from one national economy to another, the conditions of the outlet of countries with varying conditions of economic development onto the world market differ appreciably. Here is the deep-lying basis of the inequality of countries which have lagged behind in international economic relations and also the main reason for their losses in world exchange. The automatism of market processes can only increase the existing differentiation. The restructuring of national economic mechanisms expanding the role of the market-cost component increases the influence of international competition with its strict selection on domestic markets also.

Inasmuch as even the relative equalization of the conditions of production in the many-sided and multistructural world economy cannot be achieved in the foreseeable future (and is unattainable altogether on the basis of spontaneous development alone), the task of protecting the sectors of the national economies which are not up to the demands of efficiency by international standards and facilitating their evolution toward higher productivity moves to the forefront. This is not only an economic but also social imperative. This may be done, obviously, in dual fashion: protecting to this extent or the other by preferential conditions the national economy as a whole and individual sectors thereof or phases of reproduction or supplementing the national mechanisms of centralized regulation with supranational mechanisms.

The first method has been tried many times over in the past, and people will very likely return to it repeatedly in order to ease certain tensions. It could prove useful for tackling current tasks, but is not promising in the long term. The international costs of goods, services, technology, money and manpower will exert increasingly great pressure on the dynamics of the corresponding national costs and make themselves felt as the ultimate criterion of the efficiency of production and the use of resources. The higher and stronger the wall erected in the way of these influences, the more backwardness will unfailingly be preserved and the more difficult it will be to overcome it.

The creation of supranational forms of nonmarket regulation is dictated not only by the need for the protection and more or less plan-based evolution of the weak components of world production but also by the general discrepancy between the national mechanisms of reproduction and the mechanism of the functioning of the world capitalist economy, in which centralized regulation exists at best merely in rudimentary form. This discrepancy, tolerable under the conditions of a certain self-sufficiency of national reproduction cycles, will lead to increasingly great misfirings as states' economic interdependence grows.

A kind of vicious circle has taken shape: national means of centralized regulation are losing their former capacity for directing and adjusting the reproduction process because, specifically, the separateness of the national

economies is increasingly being eroded, while the world economy lacks compensatory mechanisms corresponding to the level of socialization of world production which has been achieved. The attempts to create such are running into serious difficulties.

Besides the contradictions characteristic of the capitalist system of production proper and the competition of capital endeavoring to secure and monopolize this advantage or the other to the detriment of its partners and as a counter to their "common interest," the imminent transition is complicated by circumstances of a political and cultural nature. Political, for the regulation of reproduction on a national economy scale is seen as an inalienable—and most important, what is more—component of national sovereignty, and the transfer of some functions, albeit on a contractual basis, to a supranational body endowed with the right to adopt final decisions and effect surgical interference, as an infringement of such sovereignty. Cultural, for economic processes occur in a particular socio-cultural environment, as a rule, which puts a high value on its distinctiveness and is not disposed to abandon it for an equalization of the social conditions of production. The more heterogeneous the cultural and historical traditions of different countries, the more difficult their economic "lapping".

Nonetheless, transition to the new level of internationalization spurred by objective processes requires an enhancement of the role of nonmarket, institutional regulators of the world economy and a complication of their structure. The initial base of such institutions can only be contractual. The achievement of consensus reflecting "common interest" is complicated by the fact that in the balance of forces the dominating positions are occupied by the most powerful partners, and the weaker participants' preservation of national instruments of economic policy provides them with a certain insurance. But lest international centralized regulation become bogged down in the slough of endless coordination, the more difficult, the more the number of participants, its institutions must expand the zone of their particular competence and acquire the right of sovereign solutions initially at the tactical and subsequently at the strategic level. They are gradually taking shape in embryonic form in the economic bodies of the United Nations, the IMF and the World Bank, and at the regional level, the European Communities Commission, the European Parliament, integration groupings of the developing countries and so forth.

However slow, difficult and conflict-ridden this process, the trend toward the erosion of national-state economic complexes and the "forcing" of their borders would seem inexorable. The structure of the world capitalist economy will also very likely be transformed accordingly. First, the transition from a monocentric configuration in the first postwar years to a multipolar structure will hardly be confined to three centers. The possible localization of new centers—Latin America, the Pacific—is being manifested increasingly distinctly with time. These

centers will most likely be consolidated on an interstate integration basis both around the national economic structures of countries with relatively big economic potential and on the basis of large blocks of foreign capital built in to the system of local reproduction and gradually becoming naturalized (as was the case in Great Britain's "white" dominions and subsequently in South Africa).

Second, the domains, as it were, of the TNC and TNB, whose economic authority is frequently comparable even now with the potential of small and medium-sized states, and also international financial institutions, whose supranational nature was *primordially* predetermined, will, together with the national economies, increasingly become the constituent components of a common structure.

The internationalization of capitalist production will not, of course, lead, in the foreseeable future to the creation of some supertrust or the complete surmounting of the separateness of the national economies. But it will dictate a further modification of the economic mechanism at both the national and international levels and their relative standardization and "reciprocal movement" toward one another.

Three circumstances impart to the comprehension and study of these processes not only theoretical but also the most immediate practical significance. First, the economic mechanism combining centralized, vertical and "local," horizontal regulation is in its basic features a mechanism not only of capitalist but also of developed commodity production generally. Private ownership is merely a particular instance of the separation of managing subjects. Without such separation (in the forms of real economic accountability) the socialist economy cannot function successfully either, as we are now recognizing.

Second, internationalization is not enclosed within the world capitalist economy. It is spreading, albeit more slowly and encountering serious obstacles, on a world scale also. The isolationist alternative is unacceptable either for individual socialist states or for the world socialist system as a whole for here also an acute need to verify the efficiency of economic solutions and projects by international standards which have undergone competitive selection is perceived.

Third, the social division of labor and cooperation in the world economy may function uninterruptedly and develop only on the basis of the socially neutral laws of developed commodity production and the regulatory activity of international institutions created on a contractual basis and gradually released from the dominating influence and clashes of national egotisms.

Candidate of Economic Sciences I. Korolev. I believe that it is most fruitful interpreting transnationalization in the broad sense, that is, as a new stage in the process

of internationalization of the world economy, inasmuch as appreciable changes, and not only quantitative, what is more, are taking place here, in my view. It seems to me that such indicators as proportion of exports in GNP, amount of overseas investments and even the amount of overseas production do not testify to this process in full. After all, if we turn to the start of the century, we see that the significance of all these indicators for the economy of the advanced capitalist countries was relatively great, and in some cases, even greater than now. For example, at the start of the century Britain was exporting in the form of portfolio investments and loans approximately one-fourth of its national income. The activity of the overseas affiliates of the world's biggest industrial and commercial companies had assumed significant proportions even at that time. A process of internationalization was occurring quite intensively in the monetary-credit and banking spheres.

If we compare the present situation with that which existed several decades ago, the main thing is not some one or several quantitative indicators but the change in the very nature of countries' and enterprises' involvement in the international division of labor and the abrupt increase in the role of external factors for all states of the world. This is manifested primarily in the internationalization of S&T progress and the sphere of production generally, regardless of the export or import quota of the individual sector in this country or the other. The world market is increasingly dictating quality standards and technical-economic indicators of production, including products manufactured for domestic consumption.

In addition, the requirements of world standards are extending to the production engineering process itself. It is known that many laboratories in, for example, West Europe cannot function normally without association with technology data banks in the United States. It is important to consider also that the internationalization process is accelerating not only in the sphere of the economy. If we take the exchange of information via television and the number of overseas trips, the interweaving of all countries of the world in terms of these indicators has increased sharply.

This growth of the role of external factors is largely determining the changes in individual countries' approaches to the main international economic problems. On the one hand relapses into nationalist tendencies (the best-known examples being trade protectionism) are observed in these approaches. On the other, there is an intensifying endeavor to find a solution to current problems on the basis of mutual concessions and compromise acceptable to this extent or the other to various countries or groups thereof.

Why, from my viewpoint, is it inexpedient to talk about transnationalization in the narrower sense, that is, as the consequences of the activity of the TNC? For a whole number of reasons great attention has been paid to the

TNC not only in our but also in foreign literature. However, the capitalist economy is developing, as is known, on both an international and national scale via a combination of monopoly and competition. And bourgeois society and the state, what is more, have always exerted considerable efforts to limit monopoly in favor of competition. K. Marx even called attention to this. The activity of the bourgeois state as of the turn of the century even testifies to this also. An example being antitrust legislation in the United States and other capitalist countries. A reassessment of the role and significance of the TNC (as, equally, of monopolies in general) is fraught with the danger of an incorrect idea of the trends and regularities of the development of the world economy being gained.

The broad interpretation of transnationalization as a new level of the internationalization process is more fruitful also from the viewpoint of use of the results of an analysis of world-economic trends for the practice of restructuring of the Soviet economy and clarification of the new approach to the Soviet Union's participation in the international division of labor. The main direction of this restructuring I, in any event, see as a link with the world market being established to this extent or the other for all Soviet enterprises and research centers and kolkhozes even, and not only for individual groups of enterprises and associations. The broad interpretation of the term "transnationalization" is important also because such an approach presupposes the development, in addition to foreign trade, of a network of international contacts, including those which, strictly speaking, are not economic but which could have a general stimulating impact on our economy and contribute to the rational perception of progressive world trends.

Candidate of Economic Sciences A. Berezhnoy. I am a supporter of a narrow interpretation of the "transnationalization" concept. In my view, it is legitimate to interpret it as a form of internationalization of economic life under the aegis of the TNC, but with certain reservations. Participating in the internationalization process, the TNC employ both specific methods characteristic of them alone and traditional instruments accessible to other firms. I see as the point of the introduction in scholarly use of the term "transnationalization" the "divorcing" of these aspects of TNC activity and distinguishing those which are specific and typical only of them. It is possible on this basis to formulate sufficiently clearly the task of quest for the most adequate qualitative and quantitative characteristics of transnationalization, the need for which arises upon determination of the actual scale and dynamics of the given process.

Specifically, it becomes clear immediately that the "second TNC economy" concept (defined as the product of overseas enterprises) fails to provide a complete idea of transnationalization inasmuch as it altogether ignores the "domestic" component of the transnational "production line". Such an indicator as the gross product of all TNC enterprises (which, incidentally, was put by UN

experts for 1983 at approximately \$2 trillion or roughly one-fourth of the OECD countries' GNP) would hardly be sufficiently precise either.

The fullest, most essential reflection of transnationalization would seem to be international production. It is defined as production based on unit (that is, internal for one enterprise, firm and so forth) division of labor which has gone beyond national boundaries, when the components of a single production process are separated into different countries and, correspondingly, its spatial framework is superimposed on international economic relations. On this basis production both at the affiliates and the mother enterprises of the TNC should be attributed to international production. Not all of it but only the part thereof which via cross-border supplies participates in international intra-firm cooperation.

Doctor of Economic Sciences V. Shenayev. The "transnationalization" concept reflects qualitatively new features in the internationalization process. Whereas internationalization occurs from the time of formation of capitalism, transnationalization is a product of state-monopoly capitalism. Consequently, transnationalization is a higher and later form of internationalization. The internationalization process started from the sphere of circulation, that is, from secondary components of production relations, which was manifested in the formation of the world market. K. Marx even pointed to the need for consideration of the role of international relations upon study of secondary and tertiary, altogether derived, transferred, nonprimary production relations.

However, it does not follow from this that international relations could not subsequently extend to the sphere of production, that is, the primary components of production relations, which was shown by reality. In the phase of monopoly capitalism the internationalization process encompasses production itself, that is, the primary components of production relations. This leads to the emergence of the world capitalist economy. It is from this time that international economic relations may no longer be portrayed as merely secondary and tertiary, which we are encountering in our literature still.

Qualitative changes in the internationalization process are occurring under the conditions of the state-monopoly capitalism which has taken shape in the most important capitalist countries. An important place was occupied after WWII in the international division of labor, together with the general and the particular, by the unit division of labor directly related to the production process. Inasmuch as the subjects of this form of the division of labor are the TNC, the result was the transnationalization of the circulation of capital in all its forms (monetary, commodity, production). The merger of the TNC and TNB imparted to the internationalization of finance capital primarily a transnational form.

The transnationalization process has been reflected in the internationalization of capitalist production relations also inasmuch as the TNC are among the subjects of the latter. The role of national states and international institutions (the IMF, World Bank and so forth) has grown abruptly in international capitalist production relations as of the mid-1970's. This permits the conclusion that the internationalization process has affected national state-monopoly capitalism. However, this process has not led, in my opinion, to the emergence of transnational state-monopoly capitalism. Together with international productive forces and production relations an international superstructure is necessary for this, and it is lacking. An example of this is West Europe, where internationalization has assumed such a high form as integration, but even after 30 years the members of the EC are far from a "United States of Europe".

Doctor of Economic Sciences Ye. Khesin. Like the other participants in our meeting, I believe that it is necessary primarily to clarify the conceptual apparatus. What is "transnationalization of the economy," how is it correlated with the process of the internationalization of economic life and with what content are the "TNC economy," "second economy," "transnational economy" and, finally, "transnational capitalism" invested? In my view, transnationalization of the economy is a new phenomenon. First, in the sense that the process of the internationalization of production and capital has risen to a higher level. Its transition to a new quality is being observed. A comparison may be made here with integration representing the developed form of internationalization, which is characterized by a high degree of the interrelation and interdependence of national reproduction processes.

Second, the process of transnationalization of the economy is inseparably connected with the expansion of the scale of activity of the TNC. If this circumstance is ignored, the boundary between transnationalization and the "regular" internationalization of economic life developing in the most diverse forms disappears.

By analogy it may be said that a most important component of the integration process is its development at the macrolevel, that is, given the direct participation of the state; this development could, it is true, proceed also at the microlevel, that is, on the basis of the activity of the same TNC. However, transnationalization and integration at the microlevel cannot be equated, of course, if only because in the first case it is a question of a process encompassing the entire nonsocialist world, but in the second, individual regions thereof.

The use in literature of the "transnationalization of the economy" concept is intended to emphasize the fact that in this case relations of inter-nation economic dealings are based primarily on the accumulation and export of capital by transnational corporations which have become, together with the state, actual subjects of international economic relations and the world capitalist

economy as a whole. Since the exponents of the transnationalization process here are the TNC, the economic rapprochement of the nations effected on the basis thereof is achieved, for the most part, by means which engender contradictions and disproportions in the world capitalist economy.

It is important to determine the scale of the transnationalization process. I would like in this connection to express disagreement with those who gauge it by the dimensions and dynamics of the growth of the "TNC economy". This "economy" represents on the one hand the capital and property of international monopolies regardless of where they are located, on the other, the aggregate production of both the mother company and daughter companies and affiliates. A salient feature of contemporary international concerns is the fact that the circulation of capital in them is realized on an international scale. The TNC implement a "global strategy," and, of course, transactions within the home country cannot be separated from activity outside of it. Nonetheless, a theoretical analysis of transnationalization processes and their quantitative assessment require such a "separation". In our view, "transnationalization of the economy" is the transfer overseas effected by the TNC of the process of the investment of capital and its combination with foreign manpower. In this sense "transnationalization of the economy" is a narrower concept than "TNC economy".

In this "narrow interpretation" the picture of transnationalization appears as follows. In 1986 the gross domestic product of the nonsocialist world amounted to approximately \$13.1 trillion (in current prices), but the value of the overseas conditional net product of the TNC (the indicator of comparison with gross domestic product), to almost \$1.4 trillion. In other words, it was equal to approximately 11 percent of the gross domestic product of the capitalist and developing countries. The sales of overseas affiliates of the TNC amounted to \$2.8 trillion, that is, 1.5 times higher than these countries' exports.

Thus the "level of transnationalization" of the world capitalist economy is quite high and, what is most important, is rising, which testifies to the growing international socialization of production and capital. Of course, the picture would be far more impressive were the scale of transnationalization measured by the dimensions of the "TNC economy". But, in any event, it would be premature, I believe, to speak of the formation of "transnational capitalism". Ultimately reproduction is realized, as before, chiefly within the framework of national boundaries: three-fourths of goods and services are realized where they are produced.

Doctor of Economic Sciences V. Kuznetsov. We have to agree that the internationalization of economic activity combined with growth of the concentration of production and capital has imparted a new quality to world capitalism. It amounts to the transition of the productive

forces and production relations to a higher level of socialization. This has been manifested primarily in the creation of closed international reproduction contours. The steady circulation of capital has been established within the TNC framework in a space which is divided by national boundaries. Never before has the economic organization of geographical space been effected by corporations with such confidence that political institutions will come to terms with the plans proposed by capital. This does not, perhaps, signify a weakening of the political factor in the process of the development of world economic activity; but it undoubtedly means that the role of this factor has changed.

In the wake of the neoconservative revision of "state-economy" relations, national state control over the activity of the TNC within individual countries or simultaneously with it was weakened. Weakened in the economic interests of the individual countries themselves, frequently with the forced partial renunciation of national sovereignty in certain spheres of social life. Compensation for the partial loss of national state sovereignty is the "sovereign" behavior of "their" TNC on the territory of other states.

The new quality has been reflected also in the interstate organization of the world economy proper. The long struggle against the economic hegemony of the United States is, to all appearances, culminating in the creation of a multipolar economic world. Its structure has a complex configuration. Superimposed on American-hegemonist relations (United States—the rest) which still exist and the set of relations between socialism and capitalism are relations between the industrially developed capitalist countries and the developing regions, the integration processes within West Europe and the rivalry of the three centers—United States, Japan and the European Community.

The organic interweaving of corporate and state organizational principles on a world scale is imparting to modern capitalism markedly greater wholeness than in the not-too-distant past. In the shape of the TNC the political superstructure has acquired a new instrument of rivalry in the world arena, but simultaneously also a new instrument of cooperation and interaction. The need to share with the managing subjects part of their prerogatives has made politicians more circumspect and responsible in domestic and foreign actions. In turn, the exponents of economic power, moving onto the international scene, have a better recognition of the significance of political support and political resistance for economic activity. The increased social nature of world production means, *inter alia*, the further rapprochement and closer interaction of the economic and political principles both within individual countries and in the world community as a whole.

Candidate of Economic Sciences N. Karagin. It seems to me that characterization of the current stage of the developing countries' participation in the world economy with the aid of the term "transnationalization" is not

entirely accurate. The use of this term wittingly or unwittingly emphasizes the dominating role of the TNC in the process of internationalization of the economy of the "third world". Yet this role is in reality far from unambivalent. In a number of states and territories most successfully integrating in the world capitalist economy the relative significance of foreign affiliates in the economy is comparatively slight. For example, in South Korea, on Taiwan and in Hong Kong they account for no more than one-fourth of exports. Their industry makes most active use of various forms of relations with developed capitalist countries—technology imports, commercial and industrial cooperation and so forth. Such contacts are contributing primarily to a strengthening of local firms.

If we turn to the states of the "third world" which account for the lion's share of direct foreign investments and in which the relative significance of foreign affiliates in the economy is appreciably higher than for the East Asian territories (Brazil, Mexico, Argentina and such), we do not discover the leading role of the TNC there either. They are rather "built in" to the economic strategy of these states and territories.

For example, the practice of the postwar decades, when the majority of emergent states has pursued a policy of the increased self-sufficiency of the national economy and the increased isolation of the local market from the world market, has shown that the activity of the TNC may contribute to a relative reduction in a country's participation in the international division of labor. The bulk of the whole output of foreign affiliates in the manufacturing industry and services of the developing countries is still sold in the host states themselves.

In the last two decades the export activity of foreign affiliates in the manufacturing industry of the "third world" has grown, it is true. Their increased export orientation became possible after a considerable number of developing countries implemented measures to create conditions conducive to the development of nontraditional exports. Nonetheless, few emergent states have scored pronounced successes on this path. In the majority of cases local governments are having to exert considerable efforts to prompt the foreign affiliates to move beyond the protected national market.

To speak of the correlation between national forces and the TNC in the local economy as a whole, it will in all probability change in the future in a number of the more developed "third world" states, at least, not to the benefit of the TNC. This does not, however, preclude the ongoing internationalization of the local economy.

Doctor of Economic Sciences A. Elyanov. I believe that the term "transnationalization of the economy" is hardly justified. It can only, it would seem, introduce confusion to the category apparatus currently in use. So-called transnationalization essentially implies a modern form

of internationalization effected on the basis of the growing expansion of the transnational corporations. If, however, transnationalization is seen as an independent new phenomenon, it should lead to the emergence of a transnational sector in the world capitalist economy and the national economies of a considerable number of countries of the nonsocialist world and, perhaps, beyond.

The question arises: what distinguishes the transnational sector from the rest of the economy, which is also—although on a different scale and in different forms, perhaps—based on relations with the outside world? In other words, how and by what characteristic may such a sector be distinguished? If by the proportion controlled by the TNC, sufficiently precise criteria of the control itself are required. And, furthermore, these criteria obviously cannot be uniform for the home countries and host states. Should they be linked exclusively with the property of the TNC? After all, quite effective control is possible in other forms also.

At the same time the TNC daughter companies and affiliates have a ramified network of direct relations and feedback not only with the economy of the home countries. Analogous relations, in time, in any event, are formed in the national economy of the host states also. And, furthermore, this process is characteristic not only of the developed capitalist but the developing countries. The differences between them are evidently brought about primarily by the overall level of economic maturity and the scale of the spread of modern forms and types of production.

Given the absence of some in any way satisfactory answer to the questions which have been put, the introduction in scholarly use of the term "transnationalization" evokes perfectly justified doubts. Would it not be better to confine ourselves to the use of the concepts which became established earlier? They characterize sufficiently fully, I believe, the essence of the processes occurring in the world capitalist economy.

But it is not even a question of terms. It is more important to determine whether the appearance and increased significance of the TNC mark the onset of some new stage in the development of capitalism. In my view, their enhanced role testifies merely to new forms of the organization of economic life, which are contributing to an intensification of the process of its internationalization. And this is far from being the same thing. Of course, present-day capitalism differs very considerably from what it was at the start of the century or in the first postwar years even. But this difference is determined by a complex set of factors in no way reducible merely to the development of transnational capital.

I would like to touch on one further important question, in my view. I believe that N. Karagodin is right in saying that the TNC really have been forced to take account in their activity of the strategic aims and actual focus of the

economic policy of various "third world" countries. And when import-substituting industrialization has been implemented there, the TNC have been active participants therein. Without this, the transnational corporations would have been unable to entrench themselves and undertake expansion on local markets. The acute need for such participation has stimulated the export of capital, which has facilitated, in turn, an increase also in the export of commodities, primarily of a production nature.

The economic progress of the developing countries has been inseparably connected with the extension of their integration in the world capitalist economy. But in investing capital in these countries' import-substituting industry the TNC have at the same time held back expansion beyond the national markets.

I would like to emphasize also that the expansion of the TNC on the periphery of the world capitalist economy in no way eliminates the trend toward the consolidation of the developing countries' national economy but merely contributes to a modification of its forms. Confirmation of this is the intensive formation of direct relations and feedback between various components of the local economy, of different nationality included. This process is developing in parallel with the expansion and diversification of foreign economic relations, even if their overall level is diminishing compared with the gross domestic product.

Meanwhile the S&T revolution, its current stage particularly, is in increasing social labor productivity exacerbating the problem of sales in the centers of the world capitalist economy. The growth of the TNC's need for the continued assimilation of the markets of the periphery is hereby being spurred. But this is being impeded by the currency and financial crisis being experienced by the majority of developing countries, which has been manifested distinctly in the foreign debt, which has assumed astronomical proportions, and in the consequent winding down of their imports. Both are undoubtedly connected with the serious deterioration in world economic conditions. However, these countries' critical foreign currency situation goes back to the lag in the development of exports behind the growth of their import requirements. The changes accompanying the assimilation of new technology in the import structure of the developed capitalist states, which have since time immemorial had the leading role in the foreign economic relations of their former colonies and semicolonial territories, have contributed to the creation of the former also.

The need for the accelerated modernization and increase in the exports of the developing countries, which is perceived acutely not only by themselves but by the West also, could stimulate a new spiraling of the expansion of transnational capital in these countries, although on different organizational and technical principles than

previously, evidently. After all, the structural reorganization currently under way in the developed capitalist states is relatively constricting the possibilities of their economic cooperation with the developing countries within the framework and on the basis of the evolved division of labor.

The likelihood of such a course of events is obviously directly dependent on the level of development and size of the economic and technical potential of individual "third world" countries and also on the degree of their openness to the outside and objective readiness to adapt to the changing circumstances. Such processes would also contribute to an intensification of the socioeconomic differentiation of the developing countries.

However events develop in the future, the permanent shortage of currency resources testifies that the developing countries will evidently have to an ever increasing extent to come to terms with the global trend toward internationalization. The disdain or incapacity (lack of real opportunities) for finding ways toward the accelerated development of foreign economic relations may result merely in their further displacement from the world market and an intensification of backwardness.

And it is not only a question of the mere fact of the developing countries' incorporation in the world capitalist economy and their attachment to the capitalist market. The main thing, it would seem, is that with the rise in the level of development the influence of the general suprasystem regularities inherent in the modern economy as such, which are also at the basis of the formation of the world economy, is extending to them to a growing extent.

Doctor of Economic Sciences R. Avakov. A number of questions arises upon discussion of the problem of transnationalization of the world economy. Primarily, of what significance for the activity of a transnational company is the home country? An imperialist state can, of course, and does support "its" TNC, and this is a considerable help in their competitive struggle. But contradictions with the state cannot fail to arise and do arise for the transnational corporation. State interests are not the fundamental criterion determining corporate strategy and policy. There is another aspect of the problem also—the fact that relations with the state are hardly an element of the nature of the TNC and feature immanently inherent therein. The state is an external factor facilitating or impeding corporations' activity, but not related to the essence thereof as a social phenomenon. As far as the interests of the TNC itself are concerned, they go beyond the interests of the state in some respects, and in some respects are contrary to them even. The general trend, evidently, is such that a process of both the interweaving and separation of their interests from one another is taking place. For an understanding of the nature of the TNC it is essential to abstract oneself from the external factors influencing its activity.

Now about the transnationalization of the economy of developing countries. The facts testify that this process is becoming firmly established here also. It is not only and not so much a question of the fact that their "own" transnational companies are emerging in them and that the TNC of developed capitalist states are expanding their activity in these countries from year to year. The main thing is that transnationalization as a new, more in-depth form of integration is enshrining the incorporation of the developing economy in the world capitalist economic system and contributing to the completion of the creation of this system, which is becoming something common and integral, although, of course, full of contradictions.

The development and intensification of this trend will lead to an appreciable change in the content of the problem of underdevelopment. Economic underdevelopment will shed its national footing to a some extent, becoming increasingly a phenomenon characteristic of individual components of the transnational world capitalist economy. In other words, what counts therein will be not the national economies but transnationalized economic complexes taking shape from various national components. The boundary of underdevelopment will run not between individual countries but within the framework of such transnationalized multinational complexes.

Study of the process of transnationalization of the world economy is of exceptionally great significance for the socialist countries and the world socialist economic system. The concept of socialist integration, which is being implemented in practice, but considerably more slowly and in more elementary (and, consequently, insufficiently efficient) forms than in the world capitalist economy, is well known. There can be no talk even of a socialist type of transnationalization. Such does not exist in practice. But sooner or later, evidently, this process must begin in the socialist countries also. The Soviet Union's economic relations with the world capitalist economy are objectively limited also, incidentally, by the fact that economic processes of the modern level characteristic of the era of the S&T revolution are developing in the Soviet economy more slowly and lagging far behind analogous processes occurring in the capitalist economy.

Candidate of Economic Sciences A. Astapovich. It would seem that there is frequently a confusion of the "transnationalization" and "internationalization" concepts. In my opinion, transnationalization represents the most pronounced, leading form of the internationalization process. This process itself, however, is broader in terms of its nature and envelopment of targets.

If we analyze the process of the expansion of the international activity of industrial firms, banks and companies of the service sphere and their movement beyond

national boundaries, it is appropriate in this case to speak about transnationalization. From the organizational viewpoint this leads to the growth of national into transnational companies.

Transnationalization is expressed in the movement of a substantial amount of the assets of companies and banks overseas and in the sale outside of the home country of products manufactured at overseas enterprises. As a result the production of the TNC ceases to be subordinate to the regularities of the reproduction process of some one country, including the regularities of cyclical development.

The transnationalized process also expands thanks to the intermingling of the capital of different countries. Intermingling does not necessarily presuppose the formation of common property at head company level and the joint control over it of the capitalists of different countries. Practically all TNC, with a few exceptions, are controlled by capitalists of some one country. But, nonetheless, capital intermingles—thanks to the takeover of firms of other countries, the creation of joint companies, local capitalists' acquisition of the stock of overseas affiliates and the attraction of the capital of foreign banks and states.

Mention should be made also of the intensive process of transnationalization of finance capital signifying the establishment of firm long-term relations overseas of industrial companies and banks of one and the same country. Meanwhile the merger and fusion of the industrial and banking capital of different countries is expressed far less strongly as yet.

Even less palpable is the internationalization of state-monopoly capitalism. It may be said that a certain mechanism of the interaction of the state and private companies and the influence of the state on various aspects of the economy has taken shape within a national framework. The state also regulates the foreign economic relations of this country or the other sufficiently actively. As distinct from the domestic sphere, international forms of state-monopoly capitalism are developed insufficiently, although an aspiration to the agreement and coordination of economic policy is observed here. This includes national regulation within the framework of an integration grouping, meetings of the Trilateral Commission of important politicians and businessmen of the West and annual meetings of the "seven". It should be emphasized that there is no complete concurrence as to the aims of state activity within a country and at the international level.

A few words about the evaluation of the TNC's economic role in the world economy, specifically, about the analysis of the "second economy". From the procedural viewpoint it is legitimate comparing with the gross domestic product or industrial production both the entire production of the TNC and the product of the overseas affiliates alone. Naturally, TNC production

should be calculated per the conditionally net product. The first indicator reflects the TNC's aggregate share of the gross domestic product and industrial production of the capitalist world, the second, the share of overseas production, that is, the "second economy" proper.

But there is also another side to the question which is, perhaps, more complex. It is a question of the extent to which this "second economy" may be considered the purely overseas production of goods and services, and to which, the production of the home country of the mother company.

Overseas affiliates use the capital, technology and organizational and managerial experience of the mother firms, introduce to the local plants the inherent practice of labor relations and make active use of managers (at the top level particularly) from the home country. Legally the vast majority of affiliates functions as daughter companies subordinate to local laws. But simultaneously they carry out the orders of their headquarters when deciding on a number of most important strategic questions.

Finally, on whose side will the affiliates constituting the "second economy" be at the time of capitalist countries' economic conflicts? It is essentially a question of which country's—home or host—augmented economic potential represents potential for the TNC's overseas empires. The facts show that there is no unequivocal answer to this question. It would seem that the main effect from the TNC's overseas operations is derived by the home country. Foreign TNC have an indirect impact on the potential of the host countries, on the other hand, by way of an expansion of capital investments, the extension of technology, more accomplished methods of organization and management and so forth. Politically the affiliates are in one way or another the conduits of their country's policy.

Doctor of Economic Sciences A. Anikin. A very important aspect of the internationalization problem under current conditions, in my opinion, is the financial aspect. A new international loan capital market with its own institutions, methods and contradictions has taken shape over the last 15-20 years. All this is closely connected with most important problems of the world economy of the 1980's: the conversion of the United States into the biggest international borrower, Japan's financial expansion based on its huge surplus trade balance and the "third world" debt crisis.

The socialist countries are not as yet playing any in any way pronounced part on the international loan capital market, although some of them already have a sizable debt. In the long term their growing involvement in the world economy will inevitably be accompanied by more

active and diverse participation in transactions of the capital market.

The "open economy" category which is customary in Western literature is within certain limits of the same content as the "internationalization" concept in use with us. In this connection study of the bourgeois "open economy" concepts and the financial aspects of these concepts should, I believe, be a part of the program of our work.

Forms of relations between the TNC and the TNB represent an important scientific problem. They bear the imprint of national singularities which have evolved in the home countries, but may under the influence of a number of factors be modified in the transnational sphere. The question arises: what is transnational finance capital and what are transnational finance-monopoly groups? We are only at the initial stage of study thereof.

Investigation of the actual processes of internationalization requires the abandonment of a number of outdated notions and concepts. I entirely support the idea contained in Ye. Primakov's article "Capitalism in an Interrelated World"² concerning the need for a new approach to an interpretation of the general crisis of capitalism and its stages. It seems to me also that we need to abandon the unconditional use of the term "imperialism" as a synonym for monopoly (or present-day) capitalism. This terminology emerged for V.I. Lenin in a specific historical situation, which has now changed considerably.

The problems of internationalization will occupy an important place in the work being prepared by the IMEMO on a political-economic analysis of present-day capitalism. However, the theoretical elaboration of these problems of political economy will still require great efforts.

Footnotes

1. K. Marx, "Economic Manuscripts, 1857-1861," pt 1, Moscow, 1980, p 47.

2. KOMMUNIST No 13, 1987.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1989

Roundtable on Decreasing Importance of Class Struggle

18160007e Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 2, Feb 89 pp 66-72

[Roundtable discussion: "State, National and Class Interests in Foreign Policy and International Relations"]

[Text]

In publishing the material of the discussion of a group of IMEMO experts on the said theme the editors offer the reader a chance to glance, as it were, into the laboratory of the institute's scientific thought. He can see how in the course of a free, impartial exchange of opinions a search for new approaches to theoretical problems which had, seemingly, been solved long since is conducted. And, furthermore, the participants in the discussion are actually seeking, by no means laying claim to some final conclusions.

Doctor of Historical Sciences E. Pozdnyakov. We are today all witnesses to the rapid changes in our social consciousness and witnesses to and participants in a certain restructuring of values. This process has taken hold as yet basically of the journalistic sphere. Science, social science primarily, is manifestly lagging behind in this respect. It would, of course, be wrong to explain the lagging merely by a lack of effective media for expressing one's opinion. The issue here is more profound. Unlike any other sphere, social science was in preceding years profoundly affected by the serious ailment of dogmatism, uncritical readings and an unthinking approach; more than in any other sphere, an orthodox intolerance of original thinking, disagreements and all that was at variance with the "opinion of the authorities" and that differed from and, even more, contradicted official documents and speeches was predominant in it.

All these phenomena lay deep tracks in theoretical research in which thought became and continues to be bogged down. Much effort and time are needed to get out of them. But, as is obvious, time today does not wait, and the lack thereof can only be made good by a redoubling of efforts for a surmounting of all that is negative that has built up in our science.

Of course, that which is new does not appear of its own accord, all of a sudden: it is born in an acute struggle with what is old and moribund, and history knows of no other path for its birth and formation. The emphatic rethinking of all that has held back and fettered thought—outdated stereotypes, propositions and formulas unthinkingly learned by rote, ossified dogmatic ideas and clichés—this is the force and impetus capable, I believe, of boosting the further creative development of the science which studies international relations.

We have today reached, not without difficulty, an understanding that the line of demarcation between the forces of progress and reaction has largely ceased to coincide with the boundaries of countries, blocs and even classes and opposite social systems.¹ Human civilization has approached the line separating not so much systems and ideologies as commonsense and a sense of responsibility for the future of the human race on the one hand and irresponsibility, national, class and party egotism and prejudice on the other.

However, this danger line is not a first cause; it has merely illumined with particular brightness the realities of today's world, the tremendous changes therein and the noncorrespondence between them and the outdated, ossified ideas about the world, including ideas about the class struggle at the current stage, specifically about the class struggle in international relations and about the correlation of class and national interests and those common to all mankind.

It is becoming obvious today that ideological and class antagonism is ceasing to be the measure of all things, at least if the "proletariat-bourgeoisie" and "socialism-capitalism" rote-learned framework of class dualism, to which we have adhered strictly and by which we have separated the progressive from the reactionary, is taken as this measure. To maintain today, as before, like 50 and 100 years ago, that the struggle of the classes remains the center of gravity of social development is to fail to see the class changes in the world, in the nature of the classes themselves and in the content and forms of struggle between them included, and to continue to see it in the categories of that same dualism, which did not exist even in the "classical" period of struggle between the proletariat and the bourgeoisie. Class division, Marx wrote, appears nowhere in pure form: "the middle and transitional levels obscure everywhere the strict boundaries between the classes...." Besides the class separation, we may distinguish in society "the infinite comminution of interests and situations created by the division of labor among both among workers and among capitalists...."²

To the eroded nature of class relations in modern capitalist society corresponds its political superstructure, which, I believe, may no longer be unambiguously defined as a "committee for managing the affairs of the bourgeoisie".

I shall dwell on these points for the reason that they are directly related to the subject of the discussion. Predominant for a long time with us was a one-sided view of the state merely as the political organization of the ruling class (I wrote about this in detail in my article in MEMO No 5, 1988). This view also served as the theoretical basis, as it were, of the proposition that interstate relations are an arena of class struggle, and peaceful coexistence, the specific form thereof. But if account is taken of what was said earlier, we cannot fail, holding to the platform of this proposition even, to ask: the arena of

struggle of which classes are in this case interstate relations and which class interests are being defended in this struggle? Having, however, compared the actual social processes occurring in both types of society (socialist and capitalist) with the above proposition, we may reach absolutely disheartening conclusions concerning the content of the class struggle in the world arena.

The question which has been submitted for discussion at our meeting has manifestly been elaborated insufficiently as yet. There is much that is unclear and many varied "dark" spots and blanks here. Understandably, we will be unable to reveal them within the framework of a single discussion. But I hope that we will succeed by joint efforts in charting and outlining the main ones, ascertaining the weakest and little-studied spots and thereby determining the directions and priorities of our subsequent theoretical research in this field.

Doctor of Economic Sciences S. Blagovolin. I believe that it is very important that we sort out what is called the "class approach" in foreign policy. We refer by no means to policy in the interests of the world socialist system. We mean something fundamentally broader which goes beyond the framework of the socialist countries. The basis of this approach is the following postulate: we are pursuing a class policy benefiting all our brothers by class (or classes), consequently, for example, the U.S. proletariat also. But problems, the one more complex than the next, lie in wait for us right here. For example, the vast majority of the U.S. working class has for many years now stubbornly ascribed itself to the middle class. Whether this is the case or not, I believe it is conspicuous to them, and not us. And there's no escaping the fact that this category of the population represents, as we all know full well, virtually the most conservative, from the viewpoint of our foreign policy, part of American society with a very tough attitude toward us. What kind of policy, then, if we think in terms of class interests, should we be pursuing? A foreign policy "Demyanov's ear," apparently—they do not need our solidarity, more, they push their ruling circles onto a path of active resistance to any expansion of the boundaries of socialism in the world—but we believe—and would have them believe—that all that we do is in your interests.

Yes, of course, if we recall the first two decades of our century, the situation then was different, and it really was possible to talk about the class nature of foreign policy, about its expediency and, perhaps, about some effectiveness even. But everything in good season.

To speak about a system, however—socialist or capitalist—it is in fact a question of official policy since we are here dealing with blocs and associations, which, to be honest, exist in reality by no means only and not so much on class grounds. That "nightmare of coalitions" which haunted Bismarck has now become a daily reality confronted by any country pursuing an active policy. Virtually the whole world has become a combination of

economic and military-political coalitions, which exist primarily as a reflection of state interests, often of the interests of the strongest to the detriment of the weakest even.

Illusions in policy are particularly dangerous. And we have to sort out comprehensively and as quickly as possible what blocs and associations are becoming in the modern world, ascertain the factors of their stability and evaluate the expediency and basic forms of their functioning from the viewpoint of state interests.

I would like to mention that a situation has now taken shape wherein we may speak of a concurrence in the vast majority of cases of state and national interests. Dictatorship, however, in our time, as a rule, inevitably descends into a counterpoise of state and national interests. In these cases defeat of the state (or the regime personifying it) is a good thing for the nation or nations peopling the country.

The opposite example is the United States. I am, naturally, far from thinking of attempting to show that there have been no serious mistakes in American policy. But, generally, the democratic (let us not now persuade one another as to the limited nature of bourgeois democracy) nature of the state and the indubitable sense of responsibility of its ruling circles have played, it would seem, an exceptionally important part in ensuring that U.S. foreign (and also domestic) policy has secured for this country unprecedentedly propitious development conditions and, consequently, the relatively high level of well-being of the vast majority of the population and made it the natural (I emphasize, natural) leader of the community of the majority of the world's most developed states. The interests of the state have to a tremendous extent coincided with the interests of the nation. And, incidentally, even given the persistent problems of interracial and inter-nation relations in the United States, all this has secured the emergence of the natural situation whereby a multinational state is, as a whole, highly stable.

But, I believe, we need to be very clearly aware that the basis and crux of everything now is the "state" cut of foreign policy. If we attempt to substitute for it or supplement it with the "class" or "national" categories, this, it seems to me, is the right way toward impasse, the more so under conditions where mistakes in policy could mean not simply defeat but perdition, catastrophe.

If the state is capable of adequately representing to the proper extent the country's interests, its foreign policy could and should contribute to the burgeoning of all the nations populating it. Otherwise, as already said, the manifestation of centrifugal trends is inevitable. Consideration of the actual geopolitical situation and emergence from the position which took shape in the postwar years, where, essentially as a result of the so-called class nature of our foreign policy we encountered a powerful

coalition of states, and one "formed," however paradoxically, largely by ourselves—in East and West—these are the immense tasks which confront us. And we must exercise propaganda of socialism primarily by our own example and permanent policy of a strengthening of stability in the world.

Obviously, precise determination of foreign policy priorities, the reality of threats and the nature of the blocs and associations opposed to us proceeding from the fundamental, long-term interests of the state—this is the sole path capable of leading us toward positive results and easing the burden of unnecessary and excessive confrontation "all along the line". I have to say that our new concept of security is geared to this also. Our state is a very complex organism, and in today's world this complexity should be taken into consideration to the full extent in foreign policy. It is now difficult to agree fully with Gladstone, who said that "there are no permanent friends, there are only permanent interests." It might, probably, be very important to mention that not only are there not now permanent friends but permanent enemies also. In turn, a country's interests could change also, and appreciably, what is more, but one thing should be permanent—the fullest possible consideration of the objective situation—foreign and domestic—determining these interests at this stage of historical development or the other. It is a question of perestroika in foreign policy, and its successes or failures on the one hand will largely depend on the state of affairs in the domestic policy sphere and, on the other, without success, without a decisive change in the situation outside, it will be difficult to look for success within. Thus this now means not simply two sides of the same coin, it means, rather, two directions, of equal significance, most likely, in the process of the emphatic renewal of all aspects of life which has begun in our country.

Candidate of Historical Sciences I. Shadrina. It so happened that there appeared in the press practically simultaneously two articles—one by E.A. Pozdnyakov in MEMO No 5 and the other by a scholar whose works I value highly, L.N. Gumilev. I refer to his article in the April supplement of the journal ZNAMYA entitled "Biography of a Scientific Theory or an Auto-Obituary". Despite the fact that Professor Gumilev has for many years, with forced interruptions, been studying the problem of the development of ethnic groups (and each person is a member of an ethnic group), that is, a subject very far removed, seemingly, from the sphere of interstate interests, his theory of ethnogenesis is closely connected with the problem being studied today and enables us to expand appreciably and increase our knowledge of the phenomena of international life in general and the relationship of national, state and class interests in particular.

Being a convinced supporter of the natural-science approach to history, I am profoundly convinced that we will in the future be able to analyze and forecast competently and in depth the phenomena of international life

only on condition of us appreciating in practice and completely the great sense contained in the words of K. Marx and F. Engels to the effect that the history of nature and the history of people are mutually dependent. Yet, guided by the imperative of the *socium*, our historical science has for many decades explained historical phenomena, including the policy of the state, basically from the standpoints of social determinism. Everything else has frequently been subjected to ostracism, and the labels of "biologism" and "naturalism" have been pinned on the corresponding schools of scientific thought.

But people make history. People, however, the species of *Homo sapiens*, regardless of the sociopolitical formation to which they belong, remain members of an ethnic group, creatures which are also a part of the biosphere of planet Earth and the vectors, according to Vernadskiy, of the biochemical energy of the living substance of the biosphere. Whence it follows that people are the offspring not only of social relations but also the terrestrial biosphere. Human populations are linked with their habitat. Natural phenomena are explained by natural causes. When attempts have been made to interpret the development of ethnic groups (and how can the problem of the nation or the state be examined without ethnic groups?) only and exclusively via social laws of the development of society, this has frequently led to absurdity. It is well known that national liberation movements are not unequivocally connected merely with social conflicts within the framework of some country: the roots of many of them lie in ethnic phenomena. And I believe in general that the theory of ethnogenesis is of extraordinarily great significance not only for an understanding of the processes occurring in the developing countries but also for an understanding and the implementation of such concepts as the common European home. The laws of the development of ethnic groups are an objective reality existing outside of us and apart from us. This cannot fail to make its mark on the interests of the state also.

Nor is there any doubt that, however great the significance of the external environment, the tremendous importance of the inner, socially and biologically determined spiritual environment of the human personality cannot be underestimated. This problem is of truly global significance for it concerns not only the intellectual and emotional world-perception of a person individually but encompasses all forms of relations with his kind, from the family, all phases of the development of human communities and all gradations of social levels—classes, nations, states—through mankind as a whole.

Our political science—and not only ours—has long regarded and essentially continues to regard interstate relations in separation from man. But this separation in research is itself a result and consequence of man's estrangement from interstate relations in reality. Is this not why today the question of the democratization and

humanization of international relations, the mutual linkage of national and class interests and those common to all mankind and the priority of the latter is so serious?

Doctor of Historical Sciences Ya. Ettinger. The question of the relationship of national and state interests is of theoretical and practical importance. When we speak of national interests, we need to make a distinction between national interests in nationally and ethnically homogeneous states and such in polyethnic, multinational states, to which the majority of Asian and African countries pertain.

The very concept "national interests" is an objective, historically evolved concept which emerged as the result of the interaction of a whole number of factors. They include the geopolitical location of the given ethnic group, its numbers, relations with neighboring national and ethnic communities and cultural and religious traditions and singularities.

State interests, in my view, are to a considerable extent a subjective concept connected with this understanding and interpretation or the other of national interests by the political forces in power reflecting the interests of this social stratum or the other. Sometimes state interests coincide with national interests, sometimes not. This is true in cases where we encounter multinational states. Thus the state interests of the Austro-Hungarian Empire embodied in the political course of the Habsburgs in no way coincided with the national interests of the Czechs, Slovaks, Poles, Croats and other peoples which were under the domination of this monarchy and which aspired to its elimination and the creation of their own independent national states. And the latter, formed after WWI, undoubtedly reflected their peoples' national interests.

In Africa, for example, the nature of statehood created as a result of the collapse of a colonial empire after WWII has been of a fundamentally different nature. African colonies became independent states within the framework of the arbitrarily drawn borders which had been established by European powers at the end of the 19th century. And these states can in no way be considered "national" in the European sense. The vast majority of African countries is based not on a common national-ethnic foundation, as in Europe, but on an exclusively territorial foundation determined by the configuration of territory at the time of colonial domination. True, a kind of per-country "nationalism" endeavoring to absorb and dissolve the national consciousness of the numerous national and ethnic groups which have found themselves incorporated within these states has begun to take shape in these states in several recent decades. Here is the main cause of the numerous internal conflicts which have taken place or are taking place in many African countries (Nigeria, Zaire, Zimbabwe, Angola, Chad, Ethiopia, Kenya and so forth), in which the national interests of individual ethnic groups in no way coincide with the state interests of the political forces in

power. Sri Lanka is a typical example in Asia. It is difficult, of course, forecasting the paths of national-state building in many developing countries, but there can hardly be any doubt that this is a most acute problem of their development.

An answer to the question of the extent to which the state authorities take into consideration the national or poly-ethnic interests of the population of their countries is central upon an analysis of the problems of the relationship of national and state interests.

Doctor of Historical Sciences G. Mirskiy. I believe that the existence of national interests cannot be denied, although formulating their essence is not easy. Two criteria—granted all their vagueness and ambiguity—might be suggested, nonetheless: first, concern for the security of the nation and its possibility of living, existing and developing, second, vital interests of its economic, social and cultural development. This is what runs through the ages and social formations and regimes. This may sometimes border even on some mystical "eternal nation" idea, on, as de Gaulle, for example, said, "the idea of a certain France" irrespective of specific generations of Frenchmen.

It is possible generally from this viewpoint, to determine the extent to which this foreign policy action or the other of a government corresponds to national interests. For example, an outlet to the Baltic was a vital necessity for the Russian nation, and this was understood by Ivan the Terrible and recognized even more by Peter the Great. On the other hand, possession of the Bosphorus and the Dardanelles was not obligatory from the viewpoint of Russia's national interests—the idea was a contrived, great-power notion. The entry of Italy and Japan into WWII did not correspond to national interests: both states could have lived and successfully developed perfectly well without the territories whose capture was the purpose of the said actions. But the war with Finland in 1939 could, perhaps, have been justified from the viewpoint of the USSR's national interests—it was necessary in anticipation of a big war with Germany to push back the border away from Leningrad and save the second capital of the state. This could not, however, be said about the commitment of our forces to Afghanistan: the USSR's national interests would not suffer whatever the government in Kabul.

There are also imaginary national interests, when an idea becomes a national myth and takes possession of people's minds, and proving this "imaginariness" to them is impossible. Argentina and the Falklands (Malvinas) are an example. From the viewpoint of both security and economic and cultural development Argentina could exist without the Malvinas, but Argentinians have been accustomed to think otherwise. One further example: Sukarno at one time put forward the slogan "Crush Malaysia," showing that as long as this "neocolonial formation" existed, Indonesia could not live and breathe. This was a fraudulent idea, an artificially

invented enemy; Indonesia has been living tranquilly alongside Malaysia for decades now, and nothing terrible has happened. But it is also the case that without some insignificant piece of territory a nation actually cannot feel itself a complete nation; between the two world wars Lithuania, for example, lived without its capital—Vilnius—but this was a deformed, frustrated existence without the main city. Naturally, the Lithuanians' national interests demanded the return of Vilnius.

State interests are another matter; they may coincide with national interests, but not necessarily. More often than not what are called state interests amount in fact to the interests of the ruling groups which are sometimes misunderstood by these circles themselves. Let us return to the question of the entry of Italy and Japan into WWII. It was not brought about by national or state (in the broad sense) interests. But the leadership of the fascist party in Rome and the militarist clique in Tokyo evidently believed that in the interests of a strengthening of their positions, the establishment of their authority and so forth such an effective action and one which, as it seemed to them, promised quick success was highly desirable. Both miscalculated—with a suicidal result.

The Iran-Iraq war did not correspond to the national interests of either people but there were perfectly real and very strong motivating factors pushing the ruling circles in Baghdad and Tehran onto the path of confrontation and logically leading to war. Can the term "state interests" be applied to the sum total of these factors? Both affirmative and negative answers may be justified depending on whether it is legitimate to understand by this term the interests of a specific political regime or not: after all, the regime at a given specific moment "represents the state". But can we thus go so far as to equate with state interests the aspirations of manifestly antipopular and antinational cliques which have come to be in power? Where to draw the line and what to take as the criterion? These questions are far from developed.

As far as class interests and their role in a state's foreign policy are concerned, the opinion that everything is determined by the economically predominant class is manifestly simplistic. Far from everything in U.S. foreign policy is determined by monopoly capital—it is merely one "pressure group," albeit the most influential. It is primitive to think that "Wall Street decides, and the White House and the Capitol merely rubber-stamp these decisions". Nor, incidentally, do I agree with the opinion that the most important and wealthiest strata of the bourgeoisie are necessarily the most reactionary, bellicose, anti-Soviet and so forth.

Candidate of Historical Sciences Yu. Oleshchuk. It would seem that we are today encountering states which are more diverse in terms of political organization, national traditions and level of general culture than ever before in the history of mankind. And it has become exceptionally difficult to trace common regularities in the formation of their foreign policy. In some countries

public opinion plays a greater part in its elaboration, in others, a lesser part, in yet others, plays no part whatsoever. Additionally, public opinion has considerable qualitative differences. It may be relatively cultured, enlightened and humane. It may be ignorant, enmeshed in prejudice and subordinate to religious tenets. In some states it is practically inactive (or does not exist even in any precise form). In this case policy may be determined by the interests of this social stratum and ethnic grouping or the other and, finally, simply by a group of persons or even by a single person to a considerable extent.

It stands to reason that class and national interests have an impact. But they are so intricately interwoven with all others (and, additionally, interpreted variously) that it is incredibly difficult devising some common pattern of the driving forces of foreign policy in respect of all countries.

It seems to me that the most that scholarship can do under such conditions is to classify states according to certain groups distinguished by approximate similarity of foreign policy "motors". I shall not venture to come up with the principles of classification right off. The starting point should perhaps be the breadth of the circle of forces exerting a palpable influence—active or passive—on the shaping of foreign policy. That is, ranging states by group depending on how wide or narrow this circle is. Where the circle is the widest, it may obviously be said that foreign policy expresses not so much class as national interests. Where it is narrow, the interests chiefly of the ruling classes or individual detachments thereof even are expressed.

Finally, the shaping of foreign policy could be in the hands of a small group or of one person even. It is difficult to say here whose interests are expressed by such a group of persons or an individual: primarily their own, most likely, plus the interests of their immediate support (the army, the organs of repression or some other part of society, say). Such a form of government could express class and even national interests very inadequately, arbitrarily even—to an extent, furthermore, where it is no longer possible to speak of the expression of these interests in any rational sense of the word. What national interests, for example, were expressed by Iran's war against Iraq? On the contrary, it was against all these interests. We may speak here of the personal ambitions of a leader, of the irrational plans of a ruling group attempting by war either to strengthen its power over the country or realize a Shi'ite Islamic revolution on a pan-Muslim scale.

Further, it would seem that, as a whole—in an as yet nebulous, but distinguishable form—some progressive dynamics, namely, an increasingly significant orientation toward cooperation and good-neighborly coexistence with other countries, may be traced in the shaping of foreign policy. If the general picture of world politics is traced at considerable length, it is revealed that it has

been gradually evolving from a variety of extreme versions—aggression, particularly national egotism, extreme ideologization—toward precisely more civilized politics. There is no idealism here, it is not a good intention but a reaction to the changing conditions of the life of the community of states. Interdependence and the need for cooperation in a multiplying number of spheres are forcing foreign policy to take these imperatives increasingly into consideration. At one time each or almost each state lived as if on the Moon and could permit itself to pursue egotist national goals—and nothing more. Now the conditions for this are becoming fewer and fewer, and they will soon, possibly, have disappeared completely.

For this reason the trend toward an increase in elements of good-neighborliness, cooperation and mutual respect is becoming an objective reality of a universal nature. It seems to me that we may pose the question as to whether this optimism-inspiring regularity, if not overcoming the purely class and purely national character of foreign policy, is, in any event, making significant adjustments to it. This is actually a movement to the forefront in foreign policy of interests common to all mankind.

Candidate of Historical Sciences M. Strezhneva. The global interdependence of today's world is radically expanding the range of subjects of international intercourse. Economic organizations and enterprises, research and cultural establishments and private individuals are participating to an increasingly large extent therein together with states, which does not allow us to confine a study of current international relations to purely interstate relations, and the complex of interests, merely to state or class interests.

The extent of the reflection in states' foreign policy of interests which we define as being common to all mankind depends not only on objective factors but also to a very large extent on subjective factors—the level of political culture in society, the personal convictions of its leadership and so forth.

The fact that the modern state succeeds in ideologizing economic, scientific, cultural and even sporting relations between peoples confirms convincingly that it will continue to preserve its capacity for extending its ideological functions beyond state borders, and, what is more, the rivalry of the two socioeconomic systems in this sense creates most fertile soil for its activity.

The way toward the de-ideologization of foreign policy is also, aside from all else, the imparting to the state's international function of a specific-political nature connected primarily with concern to safeguard national security (in the broad understanding), and not with arguments concerning the advantages of this system or the other. A most important weapon on this path is control on the part of the civil society over official foreign policy.

Doctor of Historical Sciences E. Pozdnyakov. I believe that I express the general opinion when I say that the discussion has been very interesting and fruitful. Numerous, at times opposite, viewpoints have been expressed. This in itself is a gratifying fact testifying that a spirit of free discussion and expression of various scientific opinions is beginning to revive in our science too.

I am not about to sum up some general result of the discussion. But I would like to express my attitude on some of the questions broached.

The following idea was heard in some responses: do we need to be rushing from one side to the other—yesterday one thing was being said, but today, another, yesterday the proposition concerning the class nature of interstate relations was being defended, today, it is as though we are disavowing it. I believe that for those who in the recent past were in a state of creative unthinkingness, who took as truth in the last instance what was spoken from above and who were at ease among the clichés and dogmas, for those all that is being said and done today must very likely appear to be a darting to and fro. This is the position of N. Andreyeva and her inspirers and supporters. For those, on the other hand, whose thought continued in the stagnation period also not only to work but also to intensify from all that was being done around them, for those who believed in changes and anticipated them, for those all that is happening now in our society, in scholarship and in journalism is not darting about but the natural expression and publication of thoughts previously forcibly concealed from the public.

In connection with the problem at issue mention has already been made of the relationship of the political state and the civil society and the connection of foreign policy and interstate relations with man's requirements and interests. We need, I profoundly believe, to be clearly aware here that until the civil society is able to exercise genuine control over the political state and the political decision-making process, correspondence between national and state interests is not to be expected. In addition, they will in this case contradict one another. Such control is possible only via the development and extension of glasnost and democracy and via the openness of society and foreign policy erecting a barrier to the government's usurpation of the right to adopt critically important decisions behind the people's back in circumvention of democratic institutions. It is all the more important to emphasize this point in that mechanisms with which decisions were adopted earlier which run counter to national interests continue to operate in our country.

It is now becoming vitally necessary not simply to increase the role of the public but to create effective and empowered social institutions exercising effective supervision of the foreign policy decisions which are adopted, particularly those concerning all kinds of actions connected with the use of the armed forces and arms. Relations between states can no longer remain in the

exclusive charge merely of some professionals—in this case, as experience shows, they frequently become a dangerous political “game,” the basis of which are not the genuine national interests of this people or the other but ideological mythologems, which often conceal narrow group, departmental or personal interests and even the ambitions of this politician or statesman or the other.

Man and his needs, requirements and interests should be paramount in interstate relations to the same, perhaps to a greater extent as in intrastate relations. Not simply interstate relations but man and interstate relations. I believe that only in this case will interests common to all mankind in practice take precedence over national and class interests. If, on the other hand, interstate relations develop contrary to man's interests, to their detriment, and, even more, if they lead to man's destruction, they are reactionary and inhumane, whatever the professional politicians may say and however they may justify them.

Yes, very different viewpoints have been discussed during our discussion. But however they are evaluated, whatever the attitude toward them is, one thing is clear: none of us can remain in his former positions, no one can continue to construct a scientific analysis on the basis of former ideas and stereotypes. And I see this as the principal result of our theoretical work.

Footnotes

1. See, for example, KOMMUNIST No 7, 1988, pp 80, 90.
2. K. Marx and F. Engels, “Works,” vol 25, pt II, pp 457, 458.

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Bureaucracy in Modern Society: More Universal Analysis Needed

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[Roundtable discussion: “The Social Nature and Functions of Bureaucracy”]

[Text]

It is only comparatively recently that the problems of bureaucratism, acutely urgent and painful for Soviet society, have been at the focus of our scientific community, and much remains to be done in this sphere. An important aspect of the subject is the world nature of bureaucracy as a social phenomenon. It was from this viewpoint that the participants in this discussion approached the problem. They attempted to ascertain in the bureaucracy phenomenon general, particular and

individual features and expressed assumptions concerning its economic, social and political nature. Doctor of Historical Sciences M.A. Cheskhov, senior scientific associate of the USSR Academy of Sciences IMEMO, Doctor of Historical Sciences S.P. Peregudov, head of a department of the IMEMO, Candidate of Historical Sciences A.M. Migranyan, lead scientific associate of the USSR Academy of Sciences Economics of the World Socialist System Institute, and Doctor of Historical Sciences V.F. Li, head of a department of the USSR Academy of Sciences Oriental Studies Institute, participated in the part of the roundtable whose material is published in this issue.

Interest in this “eternal” subject is explained primarily by the fact that the problem of bureaucracy is at the focus of the restructuring of the social consciousness of Soviet society, and criticism of the bureaucracy is becoming a most important leaven of ideological renewal. Scholarly journalism has revealed the connection of bureaucracy and the administrative-command system of management of the economy and shown its role in the power structure and the cult of personality mechanism. However, it is obvious that the period of “Red Guard attack” on the bureaucracy phenomenon is coming to an end. For this reason the task of scientific thought is seen as being now to extend the analysis of this social phenomenon and discover in it not only that which is individual and particular but also its general properties. Whence the necessity for not confining antibureaucratic criticism to the bounds of Soviet society but for attempting to find universal features, connections and interactions and draw historical analogies, which will make it possible to comprehend bureaucracy as a phenomenon of modern society, regardless of its “form of composition,” in K. Marx's words.

The orientation of scholarly quest toward generality is both facilitated and complicated by the fact that within the bounds of the traditions of the study of bureaucracy, which are polar opposites in terms of philosophical basis—Hegel-Weber and Marxist—the generality of the bureaucracy appears in its inseparable connection with a particular type of organization, administration and power, that is, as the generality of the machinery of state.

Although bureaucracy's links with social production have been well studied since the war, the results of such studies have not appreciably influenced the understanding of the nature of this social formation, which is thought of, as before, in terms of theories of management, organization and power or is interpreted as a representative of classes in their traditional understanding. One is struck by the discrepancy between this classical interpretation of the bureaucracy and the facts of its expansion in the economic sphere. But it is this discrepancy which induces doubts as to the adequacy of the classical vision of the bureaucracy. Indeed, if the bureaucracy controls in one way or another a considerable part of the means of production in most important spheres of the economy, it is thereby involved not only in

managerial-organizational but also production (in the broad sense) relations and, consequently, acquires the features of a primary community; to the extent that it controls the means of production in its own interests and on the basis of its power, it is no different from other primary or class formations. Against the background of these changes the understanding of the bureaucracy as a secondary social formation derived from the classes and as machinery expressing and organizing the interests of these classes is, at least, incomplete. For this reason the concepts describing the bureaucracy's relations with social production in terms of an elite, technobureaucracy, technostucture and so forth, although reflecting new aspects of its existence, reveal its new property insufficiently fully.

In order to substantiate the metamorphosis of the bureaucracy from a secondary to a primary community it is necessary, having shown the difference of the socioeconomic relations of the state or public sector both from capital and from public ownership, to ascertain the specifics of these production relations. The difference of the economic relations of the state sector from the basic types of production relations appears sufficiently distinctly in the functioning of state enterprises: in their case the profit motive is not the main motive, whereas the alienation of the producer from his labor persists even under the conditions of a socialist economy.¹ However, it has still not been possible to express positively the specifics of the socioeconomic relations of the state sector, and we once again return in the analysis to an identification of these relations with the customary categories of capital and public ownership or conduct the analysis from the viewpoint of the managerial, commanding and regulatory functions of the state. As a result study of the problem is at an impasse: on the one hand the bureaucracy—by nature—cannot be reduced to a secondary, derived formation, on the other, it is not as yet adequately expressed as a primary or class community. The impasse in the research is intensified by the growth of antibureaucratic and antistatist sentiments of the most varied persuasion, which have introduced—granted all the justification for the criticism of the bureaucracy and the state—many fallacious ideas like identification of the state with the bureaucracy as its agent, which is so characteristic of the conservative consciousness, of its mass varieties included.

A way out of the impasse was signposted to some extent by radical-left thought, whose representatives endeavored to understand bureaucracy in terms of class theory. Within the framework of this approach many concepts were put forward, which have, it is true, little in common with Marxist class theory insofar as they take as class-forming factors status, power and occupation; for the nature of a class was substituted the problem of its composition, and for aggregate existence of a class, the position of the individual in its structure.² Granted all the vulgarization which occurs in this case, the view of the bureaucracy bringing it together in one way or another with class formations would seem promising,

but on one condition clearly expressed by the French leftwing sociologist N. (Pulantzas): the bureaucracy is not a class, a class is not a bureaucracy, that is, the interchangeability of these concepts is precluded. I shall try to proceed along this path, which presupposes a need for the solution of a cardinal problem—an understanding of the essence of the socioeconomic basis of the formation which we are accustomed to calling the bureaucracy. This end is served by the statocracy concept intended on the basis of use of the idealization method to characterize the prerequisites, genesis and formation of the real phenomenon of bureaucracy and its general and particular attributes. In other words, the statocracy concept makes it possible to view the bureaucracy problem from a new angle. The concept is based primarily on the idea of the negation of capital and the idea of the generality of private ownership elaborated by K. Marx.

The "statocracy" concept defines a social community of a class type (class-like), which is formed on the basis of a specific variety of private-ownership production relations by means of a mechanism combining state ownership with state power and societal functions. The formation of a statocracy becomes possible in the era of the completion of industrialization and transition to the S&T revolution under the conditions of struggle of the two world systems. I shall begin with a description of the general features of statocracy.

The prerequisites of its inception are factors of a varying nature of a world-system character. Pertaining here are the concentration and centralization of production, the struggle of world antagonistic systems, militarization of the economy and the statization of society and the economy. The last factor is of decisive significance, particularly when the statization process leads to the emergence of state enterprise. Without state enterprise an enhancement of the role of the state does not secure the condition necessary and sufficient for the emergence of statocracy.³ The first mode of genesis of statocracy is in the course of a process whose essence may be described as a negative solution of the contradiction between labor and capital. K. Marx saw as the results of this process the creation of state enterprises.⁴ The relations which take shape in the course of such a negation of capital are noncapitalist relations (by definition, for such are negated), although they remain within the confines of the capitalist production mode. Such an understanding of genesis relations is at least useful since it makes it possible: not to reduce state ownership in capitalist societies to capital (in a spirit of Marxist orthodoxy), not substitute for it public ownership (in a spirit of reformist thinking), amplify the idea of transitional relations in the capitalist society and, finally, comprehend the indifference of the working people in bourgeois countries to the nationalization of the economy, which is highly reminiscent of the consciousness of ownerlessness of public ownership in the socialist society. The second mode of genesis of statocracy may be comprehended from Marx's idea of a positive solution of the contradictions between

labor and capital, which he saw as the association of the immediate producers. Analyzing an early form of such negation ("crude communism"), K. Marx emphasized the preservation in this case also of the principle of private ownership. The mode of genesis within this historical framework may be defined as the converted-positive negation of capital.⁵ The two modes of the negation of capital—negative and converted-positive—differ appreciably. For this reason it is more expedient to speak precisely of two modes of genesis, although it should in accordance with strict logic be a question of one mode and its varieties.

The particular type of social production relations which imparts to statocracy the nature of a primary community takes shape in the course of genesis. In the structure of these relations the producer is combined with the means of production (negation of capital) on the basis of this noneconomic relationship (political, legal, social) or the other. In other words, the producer here is combined with the means of production only formally; in reality he controls neither the means nor the conditions nor the product of labor nor the production process itself, within whose framework he is opposed to the means of production. Thus in this case a constituent principle of capitalism, which conceals something even more profound—the alienation of the producer and man in general—is preserved. The alienation of labor is manifested in two aspects: 1) in the workman's attitude toward labor, the subject of labor and toward the non-workman and 2) in the non-workman's attitude toward the workman and the product of his labor; the second aspect is the result of the first (that is, the self-alienation of the workman) here. Inasmuch as private ownership⁶ is nothing other than the material expression of alienated labor, and the general essence of private ownership is the result of alienated labor, I shall, after K. Marx, call this type of production relations *general private ownership*. He employed this concept when describing "crude communism,"⁷ but regarded it from the viewpoint of the general characteristics of private ownership, which made it possible to apply this concept to the state or public sector in all types of modern societies. Relations in this sector may positively no longer be expressed as capital and cannot yet be expressed as public ownership, and it is for this reason that the process of the negation of capital is revealed here via a category in which all signs of capital, except for its generic sign as a type of private ownership, that is, the alienation of labor, have been erased.

In the structure of general private ownership the determining role belongs to noneconomic elements (arbitrary regulation of the economy, programming, planning, command elements). The principle of the primacy of noneconomic varieties of production relations is realized via mechanisms of various levels and types of determination—from strict (dynamic) and weak (stochastic) to indeterminate or probabilistic. The primacy of noneconomic elements determines the generality of this type of

production relations, and the mechanisms of their determination condition the balance of economic and noneconomic relations and the salient features of their social exponents.

General private ownership as a historically particular type of production relations is concretized in various forms of ownership, among which the decisive role is performed by state ownership. The generality principle is brought to full completion therein inasmuch as the alienation of labor is realized by the representative of society as a whole and accompanied—in tendency—by the subordination and elimination of all other forms of ownership. The "general private ownership" concept defines the nature of state ownership, and "statocracy," its personifier.⁸ These two concepts express more precisely the nature of state ownership than the "state-statocracy" coupling inasmuch as speaking of the "state" we indicate merely the institutional (and not social) subject of this ownership.

The combination of state ownership, state power and social functions with as their object society as a whole (integration, regulation, transformation) form the mechanism whose action shapes the statocracy as a social community. In this mechanism state ownership acts as the basis, state power, as the driving force, and social functions, rather, their monopolization, the basic mode of formation of the statocracy. This latter takes shape as a community only given the existence and interposition of all three said factors, and the absence of one of them means the incompleteness of the process of its formation (state ownership without state power or state power without social functions, for example). The effect of this mechanism forms the statocracy as a community "in itself," which becomes a community "for itself" in line with the maturation of its self-awareness and the legitimization in the public mind of the image of the statocracy which it itself creates ("self-image").

The mechanism forming the statocracy also determines its internal organization, which is constructed per the hierarchical principle and is of a total, that is, all-embracing, nature. Hierarchy in respect of all three axes—ownership, power and administration—is not only the mode of self-organization of the statocracy but also the mechanism of its domination. A means of domination is also the ideology of the statocracy permitting it to mimic at its lowest components or at this specific organization or the other any institution, which leaves the statocracy as a whole—as a community—beyond the bounds of criticism. The fact of the hierarchical and total nature of the social organization of the statocracy does not negate its class-like nature.⁹ True, in this capacity the statocracy is highly specific for as the subject of ownership-power-administration it is opposed not to individual classes of producers but producers as a whole, the people and society. For this reason the parties to this opposition represent rather macrosocial communities than classes in their traditional form. Inasmuch as the relations between these communities are mediated

by the attitude toward the means of production, to that extent they are of a class nature; inasmuch as these relations, on the other hand, are mediated by other factors (power, administration), to that extent they are not of the nature of class relations. Consequently, the statocracy is a class in one respect and a nonclass in another: while structured per the class character principle, it is as a social community nonclass. This situation testifies to the decomposition of the characteristics inherent in class-formations, which may be considered a reflection of a situation where class separation ceases to be the basic form of the social differentiation of society. The transitional nature of this situation is reflected in the specifics of the exploitation relations which are immanent to general private ownership. To the extent to which the statocracy is the agent of state power and social functions, it acts as the representative of society as a whole and its interests and requirements. However, under the conditions of general private ownership these interests and requirements are not only separated from but also counterposed to the "workman," and for this reason the statocracy (or, in Marx's terms, the "non-workman"), realizing them, has an opportunity to appropriate part of the socially necessary labor going to satisfy these interests and requirements. While exercising the said social functions, the statocracy treats them merely as a condition of its appropriation of part of the socially necessary labor. Whence the so-called mismanagement in the use of public resources for what seems mismanagement to the "workman" proves to be rationality from the viewpoint of the interests of the "non-workman" or the statocracy. Thus exploitation relations characterize not the separation of society into individual components—classes—as was typical of classical capitalism, but the division of the very wholeness of society into its actual being and the "representative" of this being—the statocracy appearing in the form of a class-like formation.

Expressed in theoretically maximum (standard) form, the generality of statocracy is manifested: in the nature of its genesis born of the negation of capital; in the type of production relations based on general principles of private ownership; in the class-like social personifier expressing the division of the wholeness of society. Taken at this level of idealization, general statocracy is not a purely theoretical abstraction, just like capital in general, it has a real referent, which is revealed upon study of its varieties.

The particular and individual features of statocracy are manifested along the lines of such of its parameters as genesis and wholeness. Differences in genesis differentiate statocracy into 1) that formed in the course of the negative negation of capital and 2) that taking shape in the channel of its converted-positive negation. The statocratic communities of mature capitalism and its alternative—socialism—are distinguished per this characteristic, but the statocracy of the developing world does not lend itself to separation into a particular type here. From the viewpoint of wholeness statocracy is classified per a

number of characteristics: in terms of composition it may be heterogeneous (in societies of unature capitalism and the developing countries) and homogeneous (in the socialist countries) and in terms of the differentiation criterion, unified (the developing and socialist countries) and differentiated (capitalist societies); in terms of mode of social organization, monistic, that is, based on the domination of a single societal principle—proprietary or converted-collectivist (the statocracy of the North)—and dualistic based on the relationship of both constituent principles (the statocracy of the South). Actually, employing the sum total of all criteria, two basic types of statocracy may be distinguished, which I shall provisionally call partial statocracy and absolute statocracy. The first type is formed in the course of the negative negation of capital, has a heterogeneous and differentiated structure and appears—at the more specific level—in the form of various combinations with this property-owning class or the other (Western societies of mature capitalism). The second type is generated by the positive-converted negation of capital, is uniform in composition and is not disarticulated in structure (the socialist societies).

Both these types are formed surprisingly synchronously. They were embodied at the start of the 20th century within the framework of the trend toward statization of the economy in the centers of the world capitalist system and on its periphery and simultaneously in the soil of the first attempts at the positive negation of capital (the Russian revolutions). They took shape in line with the abrupt increase in the role of the state on the frontier of the 1920's-1930's in societies of mature capitalism (regardless of their political regimes—be they parliamentary, corporate, fascist)—in societies of peripheral capitalism (Brazil, China) and in the process of depeasantization of the countryside and the "coup d'état of the Stalin group" (according to L. Karpinsky¹⁶). Both types of statocracy entered the phase of formation and maturity after WWII with the establishment in the West of the "welfare state" and in the "third world," of national states, and in the Soviet Union, in the course of the postwar consolidation of the Stalin regime and its propagation in breadth.

On the frontier of the 1960's-1970's partial statocracy entered a period of crisis, whereas its analogies in the developing countries and the absolute statocracy of the socialist societies were developing in line of ascent, as a whole, taking advantage of the raw material crises and the climate of detente. At the start of the 1980's the crisis was manifested abruptly also in the variety of absolute statocracy which had taken shape in Soviet society.

The reasons for this symmetry are to some extent connected with the world-system prerequisites of statocracy and to some extent with the fact that both main types thereof were formed in their opposition to one another—an opposition whose essence amounts to a confrontation not of private and public ownership (as proclaimed by the ideological systems of the two statocracies) but either

of the two types of general private ownership or of the general form of private ownership and the specific form thereof represented by capital (private ownership, chiefly).

Each of the main types of statocracy is realized in a number of varieties. Thus partial statocracy appears in several combinations, in which it either dominates various factions of the bourgeoisie (Italy, France) or is equi-positioned with them (the United States) or even derives from them (Great Britain of the 1970's and 1980's). As we can see, these varieties do not have precise temporal and spatial boundaries, which is conditioned by the specifics of the mechanism determining the primacy of noneconomic elements of the production relations. Owing to this particularity, the formation of this type of statocracy is of a fundamentally probabilistic nature, which is expressed in the diversity and interderivability of its varieties.

Also variable is absolute statocracy, but it is, nonetheless, less diverse inasmuch as the determining role of noneconomic elements is manifested in stricter form here. Two main varieties of this type—"crude-communist" and market or NEP statocracy—may be distinguished. In the first of them economic relations are nothing more than the economic realization of power relations; in the second they possess their own autonomous logic, although the principle of the primacy of policy (extra-economic relations or the superstructure) is preserved here also. In both varieties social relations are of a domination-subordination nature, but in the first case they have been reduced to forms of the personal dependence of the producers. These differences in the structure of absolute statocracy are born of many factors, including those connected with the overall level of development, degree of prevalence of commodity relations, incorporation in world relations, traditions of statehood and so forth. However, the mode of genesis, differences in the depth of the severance from capital and the apical or mass nature of this severance are evidently the main differentiating factor. In this respect both varieties of absolute statocracy seem equi-positioned, and not stadially-consecutive, varieties.

In this context Stalinism would seem to me not only an individual but also particular instance of the "crude-communist" variety of absolute statocracy. It was characterized by crude forms of domination-subordination reduced to the level of the personal dependence of the producers and the almost caste isolation of the statocracy itself (party list, *ganbu*); total subordination of the economy to command relations, and in the structure of the statocracy, the absolute hegemony of the politicians; a religion-like form of ideology (cult of personality). Stalinism in this interpretation is a specific form of genesis of "crude communism," but this variety of statocracy may in its complete form exist without the extremes of Stalinism also (Soviet society of the 1950's-1970's).

So statocracy is a phenomenon which is coming into being universally and synchronously and possessing a general nature, which is realized in the most consistent form in the absolute statocracy of the "crude-communist" model. This specific embodiment of generality is brought about by the fact that "crude communism"—according to K. Marx—is the completion of the generality of private ownership and a form of its manifestation, when the first positive abolition of private ownership is nothing other than a form of manifestation of the vileness of private ownership.¹¹ The generality of the formation of statocracy here is manifested as a kind of iron law, whereas in Western societies the same general regularity is of a probabilistic nature. In my view, this difference in modes of realization does not undermine the status of the generality of statocracy, although it is more correct to speak of the generality of the principles of its structuring on whose basis the various structural formations take shape.

The generality of statocracy is manifested also, in my view, in the fact that it has essentially become the main social force of our era, having replaced the proletariat both in its function of antagonist of the bourgeoisie (relying on the former to a certain extent in relations with the bourgeoisie) and in the function of agent of the socialist state. This dual substitution testifies that this community belongs to the bourgeois period of world history, more precisely, to the phase thereof in which the capitalist and bourgeois structures exist alongside non-capitalist structures (general private ownership) and nonbourgeois structures (statocracy), although these alternatives to capital remain formal.

The historical prospects of statocracy depend on the consequences of the S&T revolution, the mutual relations of the world systems and internationalization and globalization processes. Under the conditions of the development of the S&T revolution in the developed capitalist societies the state continues to preserve its role in the most important spheres of social production, which signifies also preservation of the basis of the existence of statocracy as a primary community, although its influence is in relative decline in the structure of state power. Absolute statocracy enlisted in the process of the S&T revolution has a tendency to restructure itself from "crude-communist" and "despotic"¹² into market and democratic statocracy. Statocracy will not, however, quit the historical scene as long as the basis of alienation is preserved and socialization is realized via statization. In the process of internationalization supranational and—in the future—world forms of statocracy are emerging, and the basic types thereof are becoming interconnected and interdependent. Thanks to the "genuine assimilation of private property"¹³ by "crude-communist" statocracy, its relations with partial statocracy are losing the nature of polarity. The opposition of the two forms of general private ownership and general private ownership and capital is not removed but becoming relative and is therefore losing its absolute and antagonistic nature. This is being stimulated by the

formation of a global community, the solution of whose problems (survival, the environment, resources) will not only increasingly mediate and condition the relations of the two basic types of statocracy but also make these relations mutually essential.

Adequacy of Class Theory (A. Migranyan)

The most important thing for me is to answer the question: can we understand the phenomenon of bureaucracy in isolation from the broader, specifically, political context? In the light of this I would like to examine M. Cheshkov's propositions in inseparable connection with the ideas of two other Soviet scholars—S. Andreyev and L. Karpinskiy. The ideas of the first concerning the bureaucracy as a special class, and of the second, concerning the bureaucrat's conversion of his place in the official hierarchy into private property, echo and reinforce M. Cheshkov's central proposition concerning the formation of some statocracy, which combines within it the characteristics of bureaucracy supplied by both S. Andreyev¹⁴ and L. Karpinskiy. Being the dominating class, the statocracy has undivided command of its two inherent key functions—administration and ownership—which in unseparated form are present at each level of the statistocratic hierarchy.

It seems to me that all three approaches, which may be seen as a single whole, are developing within the framework of Marxist oversimplification and, instead of the elucidation of questions connected with the bureaucracy, lead away from constructive solutions. The entire fervor of both the supporters and opponents of this approach is developing into an argument about whether the bureaucracy has all the characteristics of a class or whether the place occupied by a government official is his private property. Although some external characteristics are reason to consider that the government official belongs to a special class and is the proprietor of his office, such categorical conclusions, however, greatly oversimplify the actual picture, in my view. If it is acknowledged that the bureaucracy is a class, in which both the bookkeeper from the bakery and the minister are united, we would have to agree with St Simon that the industrials are a common class, which incorporates workers, bankers and tradesmen, that is, practically all those employed in the national economy, as is still done in the West by the supporters of a boundlessly expansive interpretation of the limits of the working class. The nature of the relations between the government official and his office really do have a certain similarity with the relationship between the proprietor and his property, but such an approach is very vulnerable since we know that private property and possession of this property presuppose a number of dimensions which are lacking in government official-office relations. It is perfectly obvious that the relations between the government official and the place which he occupies are far more complex than the attitude of the individual toward his property. Even if it is assumed that the assertions of S. Andreyev and L.

Karpinskiy are correct, even in this case our understanding of bureaucracy does not become clearer but is obscured rather even more. For this reason there is nothing surprising in the fact that by sticking to this path and bringing this approach to bureaucracy to its logical conclusion, that is, reducing the content of this concept to the general class (or class-like) category of "statocracy," M. Cheshkov has completely confused the problem.

It seems to me that the main weakness of all three studies is that they view the bureaucracy and its role and functions by abstracting themselves from the political regime. As a result, analyzing it from within and noting certain particularities, they are not in a position to fit this phenomenon into the context of society and the political system. Yet any phenomenon, and such an intricate one as the bureaucracy, what is more, may be comprehended only given the combination of the analysis of the given phenomenon in itself with an analysis of it as a component of a particular metasystem, in this case, of the political regime within which not individual features but the totality of characteristics of the bureaucracy is revealed in complex and manifold interactions.

Such are certain procedural miscalculations which led, in my opinion, to a diminished concept of the bureaucracy, which has been reduced to a statocracy. I shall now speak about the content aspect and the exegetical force of this concept.

I failed to detect primarily in M. Cheshkov's constructions differences between the statocracy and a totalitarian political regime, despite the efforts he made to typologize varieties of statocracy. For this reason, evidently, the characterization of statocracy was narrower than that of bureaucracy. This is easily explained: the first we encounter in its essential manifestations only in purely totalitarian systems, the second, on the other hand, is an inalienable attribute of any developed social system.

It follows from what has been said that statocracy cannot serve as an "ideal" type for an analysis of bureaucracy in countries with different political regimes. It is for this reason that M. Cheshkov's analysis of statocracy with reference to developed industrial countries of the West does not appear convincing since the features characteristic of bureaucracy differ qualitatively in this case from the "ideal" type of statocracy. No essential characterization of statocracy corresponds to the ideal characterizations of bureaucracy in the West. And this is a merit not of Western bureaucracy itself but of the political regime, which prevents it becoming a statocracy.

And the final thing which I would like to say about M. Cheshkov's concept. Bureaucracy permeates not only state institutions but also the sphere of business and social and cultural life in the West. In this light not only is it not justified, it is simply not correct to reduce bureaucracy to statocracy, thereby narrowing the sphere

of its manifestation. It was not fortuitous, and M. Cheshkov is well aware of this, that the first serious studies pertaining to the theory of bureaucracy of the 20th century had as their subject not state institutions but the new mass democratic organizations such as parties, unions and so forth. These studies afforded an opportunity for formulating a number of universal laws explaining the functioning of large organizations.

Thus bureaucracy is not reduced to statocracy inasmuch as it is broader; both it itself with its problems and the theory of bureaucracy are part of organization theory, within whose framework complex problems of relations in macrosocial institutions are examined.

I shall now attempt to formulate my own vision of the problem of bureaucracy both as a whole and in the context of this political regime or the other. It seems to me that M. Weber's theory of bureaucracy may even now serve as the nucleus of constructing an "ideal" type of bureaucracy. In our day also three main forms of rationalization may in this type or the other be discovered in the activity of almost all organizations in various parts of the world. These are magic routinization, traditional routinization and rational routinization.

Taking Weber's "ideal" type as the basis for an understanding of the principles of the organization and the functioning of modern bureaucracies, I believe it necessary to expand it by way of the introduction to it not only of the positive but also negative properties of bureaucracy. In his "ideal" type M. Weber detached many negative features typical of bureaucracy which, he believed, did not characterize its essence. For this reason they were left outside of the "ideal" type. He stressed such strong aspects of rational bureaucracy as expert preparation, competence and the formal decision-making procedure whereby bureaucrats are guided by a system of abstract rules, applying them precisely to individual instances. In other words, it was a question of the bureaucracy's absolute impartiality and promotion up the career ladder in accordance with the level of competence and knowledge, which provides for a certain loyalty and devotion to the organization, of efficiency in decision-making and so forth. Such rational routinization, according to Weber, ideally corresponded to the aims of dynamic industrial societies with democratic institutions of power. However, he overlooked other features of bureaucracy which are also immanently inherent in it and which could be realized, if the conditions are created for this. Subsequent studies of this phenomenon revealed the other face of bureaucracy. Numerous sociological studies showed that the functioning of a bureaucracy presupposes a whole group of informal values and rules (although M. Weber believed that its activity was characterized by formalized impersonality), an informal power hierarchy and an informal power struggle. It became clear that the bureaucracy was involved also in the sphere of informal relations with

interest groups, and this expanded the sphere of the adoption of the most important decisions by nonpolitical methods, in circumvention of the public.

As the bureaucracy grew, the main merit of the bureaucratic mode of the organization of work—its efficiency—was jeopardized. The trend toward duplication by various bodies and officials of identical work derided in Parkinson's works is particularly indicative in this respect. We may note also in the same category of negative factors the struggle of bureaucratic cliques for the purpose of taking one another over. The procedure of the formation of a bureaucracy and the promotion of its representatives up the career ladder which existed originally is becoming increasingly degraded also. Current information testifies that appointments and promotion up the bureaucratic ladder are effected not per the criterion of level of learning and other objective indicators, not in accordance with a universal procedure, but rather in accordance with the principle of personal devotion to higher authorities.

In addition, it should be noted that an immanent contradiction has been made the basis of the organization and functioning of a bureaucracy: on the one hand an endeavor to coordinate the activity of various components, on the other, the need need to afford scope for initiative. As a prominent contemporary investigator of the bureaucracy, E. Etzioni-Halevy, observes,¹³ the bureaucracy is confronted by a dilemma: the absence of a hierarchy leads to a lack of coordination, too strict a hierarchy entails a loss of efficiency. If all members of the organization adopt rational decisions independently of one another, their work is beyond coordination. The system of rules and instructions and also the hierarchy of control are intended within the framework of bureaucratic organizations, first, to limit the possibilities of individual bureaucrats adopting rational decisions and, second, routinizing this process. It is no accident, therefore, that even an intelligent initiative, if contrary to the system of fundamental rules of the functioning of the bureaucracy, is incompatible with bureaucratic organization, where the task of all employees amounts to strict compliance with prescribed rules.

It was this feature of rational bureaucracy which afforded the well-known American economist and sociologist T. Veblen grounds for calling bureaucrats "trained ignoramuses". Accustomed to a particular method of applying their knowledge and to routine and cliché, bureaucrats are helpless when they encounter real problems of social life not susceptible to solution on the basis of prescribed rules known in advance.

If we expand the "ideal" type of M. Weber's bureaucracy and incorporate therein also negative features of bureaucracy, which, as research has shown, are not a sum total of incidental components but immanently inherent in any organization, such an "ideal" type could be universal and capable of explaining the manifestation of all essential features and singularities of the functioning of

bureaucracy in all societies without exception. It seems to me that such an "ideal" type of bureaucracy contains also all the basic features of a statocracy. I believe that only following the ascertainment of a broader set of both positive and negative features of bureaucracy can we answer the question as to why in certain countries negative features are undoubtedly predominant over positive features and, more broadly, on what their correlation in different instances depends. Here, in my view, is the crux of the problem of bureaucracy. An analysis of the experience of the functioning of bureaucracy in many countries of the world leads to the conclusion that the degree of manifestation of this feature or the other thereof is directly dependent on the type of political regime.

Given a democratic regime and given the existence in the political system of a conflict between the sphere of democracy (public power, elected authorities) and the sphere of bureaucracy (nonelective administrative-managerial officials), between publicly elected politicians and the bureaucracy, even given the relative independence of the mass media, the bureaucracy, although manifesting its negative aspects, is forced, however, being under permanent democratic control, to take stock of the demands made on it, which prevents it becoming an unchecked boss in society.

Given a totalitarian regime, when the sphere of public power is lacking and, consequently, there is no conflict between the sphere of democracy and the bureaucracy, between politicians and the bureaucracy, and when independent mass media are lacking, the bureaucracy acquires all the features which M. Cheshkov revealed therein in describing a statocracy. Thus the statocracy is a particular instance of bureaucracy. The statocracy is bureaucratic omnipotence under the conditions of a totalitarian regime. Given an authoritarian regime (in societies in which there is such a political regime there is a relatively broad sphere in economic and intellectual life not regulated by the state), the bureaucracy, while displaying many of its negative features, is nonetheless far removed from omnipotence and complete license. It is to some extent under the control of the public and the organs of authoritarian power.

In conclusion I wish once again to call attention to the fact that immanently inherent in a bureaucracy is a set of positive and negative characteristics, that bureaucracy cannot be understood from bureaucracy itself since this feature of bureaucracy or the other depends to a greater or lesser extent on the political regime and that struggle against bureaucracy and its omnipotence means struggle against the political regimes which contribute to the manifestation only of a bureaucracy's negative features. In short, the nature of a bureaucracy derives from the political regime, and in order to change it it is necessary to change the nature of the political regime in a country.

Specifics of Bureaucracy in Western Countries (S. Peregudov)

It would seem to me that the attempt contained in the preceding speeches to ascertain the common features

and trends of the evolution of bureaucracy in various social and political systems of the modern world, given a simultaneous examination of the particular features typical of it in each of these parts, is perfectly justified. It helps us not only to see better the essence of the subject and its entire complexity and contradictoriness but also to make a more in-depth, differentiated analysis thereof. At the same time, on the other hand, I have been unable to rid myself of the impression that M. Cheshkov globalizes the problem unduly, takes in a number of instances the specific for the general and extends singularities typical of one system to all the others. The attempt to formulate some general theory of bureaucracy or "statocracy" (which, incidentally, are far from identical), which is contained in his paper, arouses in me a certain skepticism in this connection. Even if such an attempt is justified (which I as yet doubt), we have yet to reach the phase of cognition of both the subject itself and a number of factors of social development attending it which makes it possible, from my viewpoint, to arrive right now at so high a level of theoretical analysis and generalization.

I would like here to share my ideas concerning the evolution which the bureaucracy of Western countries has been undergoing and the factors at the basis of this evolution. Among the most essential features characteristic of the development of Western bureaucracy I would note primarily the trends toward professionalization and specialization, which have been traced throughout the postwar period and which are associated primarily with the expansion of state intervention in the socioeconomic sphere and with the need to have for this competent specialists in the sphere of the economy, statistics, sociology and jurisprudence and also in more specific branches of learning such as medicine, pedagogics, architecture and so forth. A reform of the "civil service" designed to enhance the role of specialists and, on the contrary, reduce the role of "dilettantes" in the machinery of state from, as a rule, prestigious universities, primarily Oxford and Cambridge, was carried out at the end of the 1960's in Great Britain, for example, for the purpose of the speedier realization of such changes. This reform produced little in the way of direct results, but it contributed to an acceleration of the processes of the specialization and professionalization of the "civil service". Studies which have been conducted testify that similar trends have been and continue to be observed in all other developed capitalist countries.

Connected with the question of specialization and professionalization is that of the competence of the bureaucracy, but connected, it would seem to me, not directly since not every specialization automatically leads to increased competence, the reverse being the case also—and not that infrequently either. When a specialist in this office or the other begins, referring to his professional competence, to give orders pertaining to a broad range of issues to a multitude of organizations, establishments and economic units in his "charge" or under his

"tutelage," ignoring here their own opinion, what is more, the level of competence of the leadership is not increased but, on the contrary, diminished.

In my view, what has been said pertains directly to the confrontation which began as of the mid-1970's between the reformists who continued to urge a growth of state intervention and the "new conservatives" who sharply assailed this policy and who operated also with antistatist, "antibureaucratic" slogans. Much has already been written and said about this confrontation itself, and I would just like to emphasize that the victory gained in a number of countries by the neoconservatives is explained far from least by the antibureaucratic mood which has encompassed considerable numbers of bourgeois society, including many representatives of the working class. The point being that the quantitative growth of the bureaucracy, the "specialized" bureaucracy included, had begun to change to a quality, and the growth of the professionalization of state administration under the conditions of the sharply expanded regulatory functions of the state had increased bureaucratization in some respects even and engendered growing public discontent not only with the bureaucracy as such but also with the political circles which had implanted and consolidated it. And this despite the fact that these circles had in many instances endeavored to accelerate social progress, seeing the state as a force capable of solving all or almost all social problems. It is significant that even some aspects of the "welfare state," which is justifiably considered a most important social gain of the postwar period, came to be subjected to increasingly sharp public criticism (of which also, incidentally, the neoconservatives did not fail to avail themselves).

I have to say that the adjustment which led to a lessening of state intervention and, in some cases, to a reduction in the numbers of the bureaucracy (of approximately 20 percent in Great Britain, for example, during the first 6 years of M. Thatcher's term in office) did not introduce fundamental changes to the functioning of the machinery of state. Nonetheless, the scale of incompetent state regulation fettering the initiative of "controlled" institutions and firms declined noticeably.

Another, no less essential feature characteristic of today's Western bureaucracy is its growing politicization and increasingly active involvement in politics and political struggle. The proposition concerning the political neutrality of the state bureaucracy was not true even when it was quite strongly shielded from direct contacts with society and acted as an exclusive, corporate formation exercising allegedly purely executive or expert functions. Both the decisions and recommendations which it prepares and its actions as executant of the statutes and instructions of the authorities bore and continue to bear the distinct imprint of a social order emanating from the dominating social and political forces. Therefore in speaking of politicization I refer not to this general political role but involvement in direct political interaction with various groups and organizations of the civil

society attempting to influence the process of the preparation and adoption of official decisions. As a result even the semblance of the political neutrality of the bureaucracy is disappearing, and it is becoming both an object and subject of political action.

The objective basis of the process of politicization of the bureaucracy is the growing politicization of society itself and the enhanced role of "interest groups" championing the interests of both various factions and groupings of the ruling class and also the masses at large endeavoring to use all channels and methods of influencing the state and its institutions.

Like the trends in the sphere of specialization and professionalization traced above and the attempts of the dominating political forces to put the bureaucracy within a tighter framework and, in places, to limit this framework, its growing politicization is, from my viewpoint, nothing other than the bureaucracy's adaptation to the changes occurring in bourgeois society. As soon as the growth of the bureaucracy, if only thanks to the enlistment of specialists, ceased to produce a positive effect and began rather to disrupt, and not strengthen, relations between managers and managed and to lower, and not raise, the level of competence of the leadership, the system reacted in such a way that development in this direction was either abruptly limited or stopped. As soon as there appeared in society forces aspiring to present their demands to the state more assertively and decisively, the bureaucracy hereupon assumed the role of a kind of buffer or, more precisely, mediator open to dialogue with these forces, a dialogue, moreover, aimed essentially at finding the optimum solutions from the viewpoint of the "system" and the enlistment of the said forces in the normal political process. And the fact that the bureaucracy itself began, thanks to this, to play a more direct and active political part and shed its corporate exclusiveness made it, of course, a more substantial part of the political mechanism of bourgeois society and contributed to the growth of its political independence.

All that has been said permits, it would seem to me, the conclusion that while remaining subject both to tendencies toward hypertrophied growth and to a strengthening of the positions of the "strong of this world," Western bureaucracy may at the same time be characterized as a functional, "Weber" bureaucracy exercising simultaneously both class and socially useful functions. It is a necessary, organic part of the system and is contributing to, and not impeding, its adaptation to the changing conditions.

In conclusion I would like to make an observation of a more general nature concerning the problem of bureaucracy as a whole. The viewpoint I suggest on bureaucracy as a formation developing dependent on the economic and social relations taking shape in society infers that M. Cheshkov's propositions, which attempt to find a common denominator between the bureaucracy of West and East, are in need of considerable adjustment. First, the

basis of the development of Western bureaucracy and "statocracy" is, for all that, private, and not state, ownership of the means of production. Second, state ownership itself also has its "varieties" differing from one another by no means in details. Proceeding from this, I believe that the further fate of our national bureaucracy also and its development and conversion into a functional component of the social and political system will reflect primarily the process of the worker's introduction to both property and power. In other words, in form these processes in the West and in our country will very likely coincide to a large extent, but their social and political basis and content will differ.

'Neobureaucracy' as a Subject of Modernization of Post-Colonial Society (V. Li)

Were we to attempt to determine the dominating deeplying trend of the present-day nonsocialist "third world," it would appear in the form of central problems of the formation of a new national-capitalist basis and a political superstructure more or less adequate to it. In terms of its social structure, political and cultural reference points and role functions the modern state body of officials of the developing countries differs fundamentally from its historical predecessor—the officials of the colonial administration. The state bureaucracy of nationally sovereign states may be characterized as "neobureaucracy" with its inherent updated features of both rationalism and irrationalism. Possessing such a dual nature, the state bureaucracy of the "third world" is now a particular social group, subject of the administration of a multistructure society and a force rising above it.

The hypertrophy of the state bureaucracy in the political system of post-colonial developing societies has been caused simultaneously both by common laws of the development of capitalism and specific features of the inception of national capitalism in the emergent countries. A particular feature of its rapid ascent is the fact that in the developing countries the scale of the formation of the machinery of administrative supervision and compulsion is, as a rule, appreciably superior to the rate of development of national social production. This profound contradiction is contributing to the accelerated degeneration of the state bureaucracy from functional to dysfunctional and the gradual conversion of state officialdom from a modernizing social force into a parasitical force.

The social character of the bureaucracy of the developing world continues to be influenced by many traditional factors which retain their effect and which are sometimes revived under the conditions of the transition from a colonial-dependent type of administration to nationally sovereign statehood. Traditional and semi-traditional leaders of the most diverse persuasions are the actual

exponents of power and political and ideological influence under independence conditions also. For this reason their ouster from the power system may be considered an important component of political revolution. However, in the Afro-Asian countries in which the supporters of revolutionary modernization have attempted a frontal offensive against the traditionalist leadership, they have suffered serious setbacks, as a rule. The depth of the influence of traditional managerial institutions on the evolution of modernizing post-colonial society is inversely proportionally dependent on the level of development of bureaucratic structures. For this reason a particular feature of the present managerial situation in the majority of post-colonial societies is that they suffer rather from the "underdevelopment" than from the "overdevelopment" of rational-bureaucratic institutions.

If we proceed from the basic criteria of the normal level of development of bureaucratic organization elaborated by M. Weber (highest functional and legal competence, structural hierarchy, regulated recruitment and promotion within the hierarchy, professional training, necessary material support and so forth), only the system of material support of bureaucratic officialdom, and not of all of it, moreover, but merely of its upper and, to a certain extent, middle echelons, enjoyed more or less adequate development at the stage of transition from colonial administration to nationally sovereign statehood. The above-mentioned increasing discrepancy between the incredible swelling of the administrative-managerial hierarchy and the low rate of socioeconomic development makes the upkeep of the bureaucratic machinery an increasingly heavy burden, which is paralyzing the modernization process to a considerable extent.

The irrationalism and corruption of the neobureaucracy of the "third world" are organically attended by an inferiority complex born primarily of the fact that the positive practical results of its functional and managerial activity have been characterized by highly modest and frequently minus indicators. In the search for a way out of the impasse situation (particularly under the conditions of the growth of the wave of social protest) the neobureaucracy, casting aside even the appearance of political neutralism, is openly usurping the functions of the ruling elite. The underdevelopment of political culture is hereby leading essentially to the fusion of all the upper echelons in a political hierarchy of the post-colonial society. As a result the neobureaucracy is distancing itself even more from its principal function of rationalization of administration, which is intensifying the crisis and deformation of the post-colonial society.

It may be considered that the dysfunctional nature and social parasitism of the state bureaucracy are an organic feature of the formation of antagonistic nationally sovereign statehood. At the same time we should not lose sight of the rational aspects of the activity of the new officialdom. Since the content of its social mission is

ultimately determined by the nature of the political system, the state bureaucracy, regardless of its subjective aspirations, becomes an agent of national-bourgeois decolonization and modernization.

The ever increasing state intervention in the socioeconomic sphere, the need to promote an increase in the latest productive forces and the executive machinery's active intrusion in almost all spheres of social and cultural building are forcing the managerial structure and new state bureaucracy to perform a number of constructive-creative functions, in which all of post-colonial society has a practical interest, but which correspond primarily to the aspirations of the ruling class coalition. In a particular situation (when class antagonism has not assumed a sufficiently profound nature) the state neobureaucracy lays claim to the role of "supreme spokesman" for national interests, aspires as such to accomplish the mission of "social arbiter" in the multi-structure society and is the initiator of a kind of "managerial revolution". The profound processes of social evolution in the group of "neo-industrial countries" of East Asia (Singapore, South Korea, Taiwan and others) are notable in this respect.

In order to accomplish the qualitative transition from a colonial-managerial bureaucracy to a modern executive system of optimum bureaucratic rationalism the rising neobourgeois classes and strata have sanctioned here not only large-scale economic transformations but also significant social and cultural reforms. In terms of scale and depth these transformations in the neo-industrial societies are entirely comparable with the social upheaval which entailed the Meiji revolution in Japan. True, in the neo-industrial societies the process of qualitative transition from traditional (colonial-managerial) authorities to a modern political system of bourgeois-state rationalism has occurred in the shortest possible time conditioned by the turbulent dynamics of the modern productive forces.

The processes of the rapid formation of the neo-industrial bureaucracy provide practical answers to a number of debatable questions of the orientalist political science of the 1960's-1970's connected with an evaluation of the degree of autonomy of state officialdom and its role in the social structure of the ruling group, the command elite and the ruling class. The incomplete separation or, more precisely, the particular form of intercoupling between state power and state ownership in the post-colonial society, does not always unequivocally consolidate the autonomy and supraclass nature of the upper echelon of the state bureaucracy. Irrespective of its subjective aspirations, the state bureaucracy is unswervingly involved in the class-forming process of neo-industrialism and ultimately becomes a kind of statist faction of the bureaucratic bourgeoisie and the entire national-bourgeois class. Two countermovements show through clearly here, what is more: on the one hand the state bureaucracy, merging with big capital and the TNC, becoming a catalyst of neo-industrial accumulation and

expanded reproduction, on the other, the propertied upper stratum of national capital and even its middle strata constitute an important reserve of the mobility of the common backbone of the state bureaucracy. Consequently, neo-industrialism in the context of East Asia is markedly narrowing the scale of the gap between the ruling (political) and predominant (economic) groups and between the latter and the multistratapredominant national-bourgeois conglomerate-class. And in the field of vision of the researcher here comes an important generator of an acceleration of the circulation of capital under the conditions of the "neo-industrial explosion" focusing within it three "energy sources" in the form of state dirigisme, original accumulation and external resources of the world capitalist economy. The neo-industrial phenomenon provides, perhaps, the optimum versions of mobility in respect of the adoption of individual and group managerial decisions, specifically connected with the assimilation of the latest achievements of S&T progress, a rise, in accordance with world standards, in the quality of export products and with an outlet onto new international markets. It has to be emphasized that the political will under the conditions of neo-industrialism has been, as a whole, optimally "coupled" with the objective processes of capitalist reproduction and accumulation.

The objective requirements of the neo-industrial revolution in Singapore, South Korea and Taiwan brought to the forefront of national development with exceptional seriousness the problem of a revolution "from above" in the broadest sense. The neo-industrializing society, burdened with centuries-old traditions of the strictest official hierarchy, was faced within the lifetime of one or two generations with creating a qualitatively new generation of bureaucracy and technocracy not only possessing professional knowledge of a world level but also capable of skillfully, opportunely and flexibly applying it in practice. This "managers' revolution" required of the authorities of the "neo-industrial countries" a fundamental restructuring (in the direction of Westernization) of the entire system of national education and the organization of the mass training and industrial probation of specialists in developed Western countries. An even more complex task was tackled in the sphere of socio-psychological reorientation. The neo-industrial revolution, that is, the assimilation of the latest methods of the organization not only of large-scale but also mid-scale production, was unthinkable without the fundamental demolition of the archaic ideas concerning state and private enterprise and interaction between patron and client and without movement beyond the confines of the traditionalist social hierarchy.

Neo-industrial processes brought about the need for a measured "liberalization" of the very process of social mobility of state officialdom and the technobureaucracy, which frequently assumed highly painful forms. Thus in South Korea the transition from colonial to national administration originally not only did not ease the centralist-bureaucratic trends but, on the contrary,

intensified them. Bourgeois liberalization affected particularly the principles and sources of formation of the new bureaucracy. The material of random sociological surveys leaves no doubt that the career of a state official or technocrat in the business sphere is considered the most acceptable among people from middle-proprietor rural and urban families, and this is objectively expanding the social and socio-psychological prerequisites of the particular stability of the bureaucratic hierarchy.

In the search for the most efficient means of state-capitalist and private-capitalist management the ruling circles of the "neo-industrial countries" are turning increasingly extensively to political and ideological symbols. Whence the myths concerning the "state of universal prosperity," "national harmony" and "new nationalism" based on traditional values in South Korea; and the "social prosperity," "new national community," "global city," "second technological revolution" and "superelite equal opportunity community" concepts in Singapore. The persistent ideologization of state officialdom and management based on symbiotic neo-industrial symbols (new nationalism, traditionalism and Westernism) is consolidating the social status of the neo-bureaucracy as a special privileged caste of the post-colonial society pulled into the global processes of the S&T revolution. Tight family-oligarchical clans jealously protecting their privileged social status continue to perform the key role in the upper echelon of techno-bureaucratic administration, which objectively corresponds to the class nature of authoritarian power, but is impeding the development of the modernizing potential of neo-industrialism.

So the administrative-managerial bureaucracy of the East Asian countries, qualitatively renewed by the dynamic processes of neo-industrialism, brings us back to Weber's opinions concerning the "rational bureaucracy". The growing significance of the "intellectual potential"—primarily the level of professional training of the personnel and the continuous intensification of their capacity for optimally rational self-organization—testifies to the unexhausted nature of this approach.

At the same time the neo-bureaucracy of the developing countries is qualitatively different from its social analogy which emerged at the dawn of the capitalist era in West Europe. The neo-industrial state bureaucracy proclaims itself the "social vanguard" of opposition to all irrational forces of social progress and hereby lays claim to a monopoly not only of power action but of human thought itself. It is hereby driving to the limit (particularly under the conditions of the influence of the traditions of oriental despotism) alienation between managers and managed and becoming a kind of "ultrabureaucracy" of the end of the 20th century.

Critical use of Weber's rational bureaucracy concept markedly expands the Marxist analysis of the genesis and evolution of the bureaucracy of the developing world inasmuch it is a question of processes of the birth of a post-colonial civil society and the genesis of a managerial

structure of the nationally sovereign type. Of course, what I mean is not a rectilinear and frontal superimposition of M. Weber's ideas concerning bureaucratic rationalism formulated on the basis of West European material on the reality of the "third world" but a kind of symbiosis of cultural and political traditions and the political culture of East and West. Right until recently such a symbiosis appeared highly problematical. But the experience of forced decolonization and modernization in the group of Asian "neo-industrializing countries" demonstrates precisely a symbiotic orientally western model of political modernization. Inasmuch as the most significant potentialities of socioeconomic transformation and modernization are revealing themselves therein, to that extent we should anticipate its intensifying impact on the processes of evolution of the political culture of post-colonial societies, which are confronted with the task of saving hundreds of millions of people from degradation and ruin.

Footnotes

1. Which has been comprehended in full in the process of restructuring of the consciousness of Soviet society.
2. See, for example, the theories of the new class, class of managers and the state bourgeoisie, class of intellectuals and others.
3. For this reason it is important to distinguish between state enterprise and various forms of state regulation, which is frequently not taken into consideration in Soviet literature.
4. K. Marx and F. Engels, "Works," vol 25, pt 1, p 484.
5. This conclusion is based on the "Economico-Philosophical Manuscripts of 1844," in which K. Marx not only criticizes wage leveling-communist views but also characterizes the main objective stages of the process of the negation of private property.
6. The "ownership" concept in this context is synonymous with sum total of production relations.
7. See K. Marx and F. Engels, "Works," vol 42, pp 114-116.
8. Compare: capitalist ownership and the bourgeoisie as its subject.
9. Cf., for example, the structure of the feudal ruling strata.
10. See VEK XX I MIR No 7, 19187, p 37.
11. K. Marx and F. Engels, "Works," vol 42, p 116.
12. Ibid.
13. Ibid., p 115.

14. S. Andreyev, "Causes and Consequences," URAL No 1, 1988, pp 104-139.

15. E. Etzioni-Halevy, "Bureaucracy and Democracy: A Political Dilemma," London, 1983, p 38.

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1988 Meeting Between Bloc CP's, West European Social Democrats

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[Article by Aleksandr Abramovich Galkin, doctor of historical sciences, prorector of the CPSU Central Committee Social Sciences Institute, and Yuriy Andreyevich Krasin, doctor of philosophical sciences, rector of the CPSU Central Committee Social Sciences Institute: "Toward a New Quality of Dialogue"]

[Text] The scale of the problems which confront mankind require the mobilization and unification of the intellectual and political potential of all social forces capable of contributing to their solution. A significant step forward on this path is the establishment of mutual understanding between the ruling communist parties and the social democratic movement—an influential political force of the democratic camp in capitalist countries.

Efforts have long been made in this direction. The CPSU and the other fraternal parties of socialist countries have done much to remove the artificial barriers separating various currents in the workers movement and the historical accretions, false stereotypes and prejudices preventing constructive dialogue on problems which are of universal significance. Influential forces of social democracy aware of the historical significance of cooperation are operating in a positive direction also. However, only part of the way has been traveled. New initiatives are needed. It is in this context that the meeting held 16-18 December 1988 in the small resort town of Freudenberg (FRG) should be seen. In the course of the meeting there was a substantive exchange of opinions between representatives of a number of social democratic parties (of Austria, Denmark, Holland, Italy, Luxembourg, Finland, France, the FRG, Sweden and Switzerland) and scholars from party institutions of six socialist countries: Bulgaria, Hungary, the GDR, USSR, CSSR and Yugoslavia.

The point of departure for the discussion was a joint paper compiled in 1987 by the SPD Commission for Basic Values and the SED Central Committee Academy of Social Sciences: "Level of Discussion and General Security". The initiative elicited extensive positive comment, as a whole. An undoubted merit of the document was the fact that it clearly recorded the differences

between the two currents in the workers movement and at the same time outlined the spheres of their possible interaction. The document legitimized, as it were, the current practice of fruitful contacts between the two schools. It was perceived as kind of manifestation of the new thinking presupposing a high standard of ideological disputation, respect for the opponent's views, a desire to comprehend his logic and an ability to counterpose convincing arguments. After all, if there is in the confrontation of ideas an "enemy image," it inevitably assumes the features of psychological warfare addressed not to reason but to the emotions. Such an atmosphere also engenders mistrust and a Manichaean perception of reality in black-and-white terms. The new thinking, on the other hand, counterposes to fanaticism and ideological intolerance the culture of a tolerant approach, which, while not requiring accord with a different position from anyone, puts the polemic within a civilized framework. Particular significance is attached to an exchange of opinions in the form of dialogue. While a comparison of different, sometimes opposite, viewpoints, it also contains a constructive quest for the solution of the common problems around which the discussion develops.

Of course, a document dealing with so complex a problem did not meet with unanimous support. Serious criticism was leveled at it. It came from both sides. To some extent from the left—as a result of the distrust of social democracy which had built up in the communist movement over many decades. However, the sharpest criticism came from the right. The as yet unsurmounted anticommunist prejudice which is historically deeply rooted in the social democratic movement was reflected here. A guarded attitude toward the document was evoked also by its perception as "German-German," that is, as having emphasized attention to problems of relations between the SPD and the SED.

It would seem that, in accordance with the organizers' original intention, the meeting in Freudenberg was to have "lifted," as it were, such an emphasis from the joint document and to have imparted to the ideas recorded in the document a broader, all-European resonance. In reality, however, the exchange of opinions went far beyond the original framework.

The participants in the discussion, with merely the exception of the representative of the French Socialist Party, perhaps, put a high value on the significance of the document for normalization of relations between the social democratic and communist movements. The speeches emphasized that the ideas expressed in them were in the channel of the new political thinking. "This is a document of the Gorbachev era," E. Eppler, member of the SED Presidium Board, declared.

At the same time, however, in the opinion of the majority of participants in the discussion—both communists and social democrats—rapid political development in the modern world has led to certain affirmations which were perceived as a step forward 18 months ago even

now having lagged behind practice. The idea that it is now not enough to confine oneself to a discussion of questions of the standard of dialogue, that is, a search for civilized forms of an exchange of views, was heard at the meeting. There are objective prerequisites for going further. In addition, stopping half-way is simply dangerous: the process of adaptation of the political structures of the workers movement to the new realities could lose its present tempo.

The ongoing exacerbation of global problems threatening the very existence of the human race has confronted all currents of the workers movement with the need to participate actively in the search for a model of assured international security based on the principles of the new thinking. The discussion of these questions revealed broad agreement concerning the fact that transition to such a model requires primarily renunciation of the concept of a peace based on force or the threat of force and its replacement with the concept of a stable and conscious controlled peace based on a balance of interests and joint security equal for all. Many points of contact and, consequently, opportunities for constructive dialogue were discovered also in respect of the idea of the "common European home". Broad agreement took shape in the left camp concerning the fact that Europe from the Atlantic to the Urals, multi-aspectual and divided by social barriers, possesses great potential for cooperation in the economy, ecology, policy and culture. The organization of such cooperation requires of all social and political forces primarily insistent efforts in the solution of numerous problems in the military-political, economic, ecological and humanitarian fields.

Europe is facing big changes. The barriers which still remain in the way of the free movement of people, commodities and capital in the west of the continent will disappear. This could give a new boost to all-European processes. But it could also lead to other consequences—an increase in the isolation of East and West Europe and the erection of artificial barriers on the construction site of the common European home precisely at a time when conditions conducive to the laying of its foundation are taking shape.

Immense potential for international cooperation is contained in the perestroika under way in the Soviet Union and the renewal of socialism in other socialist countries. These processes are affording new opportunities for the broad economic cooperation of all European countries and the formation of a mechanism of all-European economic cooperation. It would be very annoying were trends complicating the use of these opportunities to prevail in West Europe. Obviously, the workers movement could make a considerable contribution to the elaboration and realization of the concept of all-European development.

Problems of the workers movement proper could be the subject of constructive dialogue also. Under conditions where the growth of the world economy is exposing the

contradictions of and limits to industrialization of the traditional type and when the very ideas concerning the meaning and criteria of progress are changing, the number of such problems is increasing. The question of the alternative to neoconservative policy is particularly topical today. As practice shows, this policy has deep roots. Neoconservatism has harnessed the technological revolution, which is changing the whole structure of social production, man's role and place therein, the nature and organization of labor and the structure of hired manpower. In other words, the technological revolution has required of the workers movement a search for a democratic alternative to neoconservatism, which, by appealing to economic rationality, is encroaching on the vital interests of the working people, justifying the growth of social inequality and flouting the ideals of social justice. It is the common concern of all workers parties to take up the challenge and give to it an adequate response which takes into consideration the new realities and stimulates the renewal processes which they have brought about without, however, breaking with the fundamental traditions of the working class and its humanitarian values.

Recent practice has clearly shown that the democratic alternative is a common problem for all modern societies. Broadly speaking, it is a question of the search for a humanitarian answer to the demands of technological progress as a counterweight to the strong trends toward technocracy and economic rationalism born of this progress. Of course, this quest is being conducted under socialism and under capitalism in different systems of social coordinates. But this does not lessen the value of an exchange of opinions and available experience, in the sphere of economic building primarily. A most important task confronting modern society is the creation of a system of economic organization which affords scope for technological progress and the internationalization of social production, ensures its growth and is at the same time oriented toward social justice, democratization, the high quality of life, creation of the conditions for the development of the human personality and protection of the environment.

It was said candidly at the discussion in Freudenberg that, despite the expansion of the area of possible agreement between the communists and social democrats, there remain between them profound differences rooted in the history of the workers movement. From the time it emerged there have always been therein two trends reflecting different aspects of the social existence of wage workers and, consequently, their different interest groups: one conditioned by current struggle for the best conditions for the sale of manpower, the other connected with the surmounting of capitalism as a social and economic system.

In the abstract-theoretical sense these trends and the group interests corresponding to them are not mutually exclusive but, as it were, complementary. However, in real life, depending on the specific-historical conditions,

sometimes one, sometimes the other interest group acquires predominant significance. Organizational structures and political institutions and traditions take shape around it, an ideological interpretation of practice more or less adequate to them occurs and particular stereotypes of consciousness, mentality and behavior are formed. In this structural attire these interests and trends, which are constantly fed by real contradictions in the existence and consciousness of the working class, acquire a high degree of relative independence and inertial stability in relation to the changing objective situation even in cases where a different interest group comes to the fore.

Thus the parallel existence and confrontation of the different currents in the workers movement are not the result of the subjective intentions and actions of their ideologists and leaders but an expression of the actual processes occurring in this movement. The nature of their mutual relations changes with a change in historical conditions: at sharp turns of history struggle and even a confrontation of interests are predominant, in periods of evolutionary development spheres of action and joint efforts expand, and given an intensification of the rightwing danger, a need for close cooperation arises. The dynamics of history make their demands on the two currents' ideological principles also here: some things in the ideological arsenal become outdated and should be left behind, some things, while remaining fundamentally significant, move to the background in the face of the acute need for joint action, and some things need to be reinforced by new historical experience.

Without removing the historically formed differences between the communists and social democrats, the present rapidly changing reality affords them extensive scope for a comparison of experience and a constructive search for a solution of present-day problems from different initial standpoints, but within the framework of the common socialist tradition of the workers movement.

The opinion was expressed in the course of the discussion that the existence of differences, ideological included, should not necessarily be seen through the prism of confrontation. The fact that differences remain and will remain as long as the workers movement exists should not necessarily be viewed as a negative factor. In the face of the new tasks confronting the workers movement and the entire left camp, when the correct response to them represents a decisive condition of the survival and continued progress of mankind, differences are an important stimulus of intensive theoretical search and a factor of mutual enrichment. It is important not to settle scores but jointly or in parallel seek alternative solutions, which frequently not only do not coincide but even move in different directions, although illustrate more fully the dialectics of our contradictory world and ultimately help us understand it in all its complexity.

It would, of course, be wrong to underestimate also the difficulties which both currents in the workers movement have to overcome before their rapprochement on basic, fundamental positions becomes an incontrovertible fact. The exchange of opinions in Freudenberg confirmed this once again. The history of the parallel existence of the communist and social democratic movements since the collapse of the Second International has been complex. It has known periods of cooperation and extreme confrontation. Each side has its sore points. We need to be extremely careful with them in order not to rub salt in the wounds.

A big role in the surmounting of the barriers dividing the two currents in the workers movement could be performed by mutual recognition of the two movements' actual gains. Scholars of the socialist countries have done much in this respect in recent years. Unjust labels rooted in the years of Stalin's domination have been thrown out, and the current political positions of the social democrats are being evaluated objectively.

The socialist countries are noting with satisfaction the positive changes in the foreign policy orientation of many social democratic parties. The majority of them are characterized now by a far more active orientation than before toward a joint quest for ways and means providing for peaceful mutual relations in the world community. As of the mid-1980's the social democratic parties of West Europe have come to pay more attention to questions of the development of all-European relations. Approaches coinciding in a number of aspects with the notions of the Warsaw Pact states have crystallized out here. The policy of social democratic parties in respect of Asian, African and Latin American developing countries has assumed a more positive nature than before.

Upon an analysis of the domestic policy of social democracy scholars of the socialist countries are ascertaining that its evaluation of capitalism is more and more critical than before. As a counterweight to the conservative orientation toward the unlimited play of market forces, emphasis is being put on the continued economic, social and ecological activeness of the state. While rejecting the "zero growth" concept, the social democratic parties are advocating "qualitative" economic growth taking into account society's new social requirements.

As distinct from the neoconservatives, who explain the crisis of the social policy of the contemporary capitalist state by the "strains on the system of social services," the social democrats attribute responsibility for this crisis to the instability of the capitalist economy. Whence their protests against the neoconservative strategy of a reduction in social appropriations and efforts aimed at overcoming the negative consequences of the process of capitalism's adaptation to the requirements of the current stage of the S&T revolution (mass unemployment, deterioration in the terms of the hire of manpower, disqualification of some workers, the emergence of

"disaster zones" and so forth). Whence also the opposition to the conservative forces' encroachments on democratic rights and liberties and support for the movement for the working people's expanded participation in management and the extension of social guarantees to the sphere of unprotected labor.

For their part, the social democratic parties have noticeably modified their assessment of the situation in the socialist countries. The majority of parties of this school has welcomed the perestroika under way in the Soviet Union and the renewal processes in other socialist countries. Information about these countries has assumed a more objective nature and become friendlier, although there are exceptions.

An aspiration to mutual understanding between the different currents in the workers movement naturally presupposes further progress in this sphere. The centenary of the Second International—a date which will be commemorated this year by the whole workers movement—will make it possible in a broad historical respect to impartially survey the path which it has trodden and ponder jointly its present state and future prospects.

A participant in the Freudenberg meeting representing the social democratic side distinguished three stages in the present development of relations between the communists and social democrats. The first was the abandonment of irreconcilable hostility, a kind of mutual recognition, the second, the achievement of agreement on civilized dialogue (the level recorded in the joint document); the third, transition to the joint discussion of urgent problems of the present day, their theoretical comprehension and practical cooperation in their solution. It is arrival at the third stage which should be the goal of the efforts being made by both sides.

This will not be easy. Not everyone is prepared for such a step. There was anxious talk at the meeting about the fact that in a number of cases relations between the communist and social democratic parties had not reached the first stage even. It was emphasized simultaneously that no side intended renouncing its "identity" and ideological and political distinctiveness. It could not be a question of self-negation since it would merely undermine the capacity of parties of either school for independent analysis and independent action.

A number of problems, which could be the subject of joint theoretical discussion and research, emerged in the course of the discussion. An important place among them is occupied by the processes occurring in modern societies under the impact of the technological revolution. It is very important to comprehend and evaluate the direction and pace of the changes occurring throughout the system of social production. After all, the new social structure of society emerging before our eyes, the alignment of social and political forces and the changes in the system of requirements and values of the individual, social groups and society as a whole depend on this.

Such questions as an increase in the efficiency of state ownership and state regulation of the economy, the roots of bureaucratism and means of countering it, the correlation of the market and the plan, the interaction of the state and the civil society, the law-based state and human rights, centralism and self-management in modern societies and so forth could be the subject of discussion. In the process of preparation of such discussions, it was said at the meeting, it would be advisable to set up bilateral and multilateral working groups and research committees to study this specific problem or the other.

The exchange of opinions in Freudenberg did not provide for the formulation of any final document. At the press conference held at the end of the meeting each side gave its assessment of what had taken place. Despite all the difference in emphases, it was positive. Proceeding from this, O. Rheingold, rector of the SED Central Committee Academy of Social Sciences, invited the parties involved in the exchange of opinions to meet again, this time in Berlin, to discuss human rights problems. As a whole, the participants in the meeting left for home firmly convinced of the usefulness of the discussions and the urgent need for their continuation.

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Traditional View of Third World Socialist Orientation Criticized

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[Article by Vladimir Ilich Maksimenko, lead scientific associate of the USSR Academy of Sciences Oriental Studies Institute, candidate of historical sciences: "The Socialist Orientation: Restructuring of Ideas"]

[Text] The debate concerning problems of a socialist orientation (noncapitalist development)¹ which developed in 1987-1988 in the journals AZIYA I AFRIKA SEGODNYA, RABOCHIY KLASS I SOVREMENNIY MIR and MIROVAYA EKONOMIKA I MEZHDUNARODNYE OTNOSHENIYA² is significant as a sign of the times. The attentive reader will find everything in it: a real increase in theoretical knowledge and a semi-unconscious endeavor to return scholarly thought to the "pre-perestroika" level and an honest attempt to comprehend from scratch the problems within the limits of the old procedural approaches and a mixture of obvious ignorance of the classical heritage and "anti-dogmatic" rhetoric. In a word, a great deal of material has been accumulated in the process of debate, but it is clearly too early to collate it since the debate itself has, it seems to me, reached a point beyond which continuing it is possible only on condition that the arguments are taken beyond the "shop" framework of the problems of the developing countries and put into a broad, world context.

The need to extend the framework of the debate on the socialist orientation in the "third world" has already been fully recognized in Soviet scholarship, and I can only join here with V.I. Sheynin, who observed that an understanding of the essence of "the socialist alternative for economically lagging countries with non-European historical and cultural traditions" requires inclusion in the subject of the study—on a par with the developing countries—of China, Vietnam and so forth.³ Yu.M. Ivanov, who endeavors to encompass in an analysis of noncapitalist development not only "third world" countries but also China, North Vietnam, North Korea, Mongolia and Soviet Central Asia, writes about this.⁴

What dictated this expansion of the framework of the problems? First, the long-standing nature of the argument concerning the possibility (or impossibility) of switching from social relations with relatively undeveloped commodity exchange and the predominance of "identical, but by no means common interests" to socialism as a regime of socialized ownership with the real power of the working people over the conditions and means of their labor and of accomplishing this transition here by an "abbreviated" (compared with the West European) path, bypassing the full cycle of capitalist development. Second, the extension of the framework of the problems was brought about by the world status of emerging problems for it is a question of the practicability of the prospects of the socialist system (and of the content of the socialist ideal) in countries with an undeveloped economy occupying an immense part of the planet. And I am convinced that the course of events in the world, primarily the protests of the working people aware of the "naturalness" of the right to be the masters of their own life, does not allow politicians to shun this argument and postpone the questions arising in connection therewith to the more or less distant future.

Connected with this is the need for one further step on the path of extension of the subject framework of the analysis of noncapitalist development: introduction to this framework of the practical experience of a socialist orientation of multistructure Soviet Russia of 1917-1929. The principal points of departure and the sequence of theoretical analysis could in this case be approximately as follows: the alternative nature of the NEP to war communism and at the same time the affiliation of both to the common post-October heritage, that is, to the practice of the transition to socialism by an "abbreviated" path, "bypassing" the developed capitalist phase; the crisis of the NEP policy which grew out of the political incompleteness of the bold economic undertakings; the Stalin version of a way out of the crisis on the basis of a forcible break with the NEP and the liquidation of the peasantry as a class of independently managing worker-proprietors.

There is an immense amount of research here, which is today only just beginning. The progress and results of this work cannot be anticipated but it is possible and necessary to avoid *pseudo-problems*, an indication of

which is the appearance of questions of the "Do you recognize or deny noncapitalist development" type. Putting the question thus means depriving it of real content and leading the discussion into the sphere of ideological fancifulness. The real, fundamental difficulty of renewal of the socialist ideal and socialist practice is being focused increasingly today in the question: "What kind of socialism?" To an orientation toward what kind of socialism do the participants in the debate refer and from the tradition of what kind of experience do they derive their arguments in the dispute? And until there is clarity on this issue, as long as it remains between the lines, in the subconscious, there will always be the possibility of "frightening" the reader with phrases like "unsubstantiated criticism of the policy of a socialist orientation to the point of its negation is tantamount to a renunciation of Marxist-Leninist theory concerning the possibility of the transition of economically backward countries to socialism while bypassing or interrupting capitalist development...." And it would, seemingly, be useless to attempt to ascertain from the authors of the above quotation with what "theory of the possibility of transition" they operate, nor is the reader now that easily "frightened," but, nonetheless, one hears incessantly in response to such phrases that no one is "negating" anything and "renouncing" anything.

I

Thus the task of extending the framework of the debate on the socialist orientation is both pertinent and complex. Complex if only because it requires consideration of a multiplicity of views on socialism and the heterogeneity of the historical experience of the states and movements which call themselves socialist. Specifically, any scholarly (and not propaganda) approach to the questions which arise here requires correlation of the political language in which the problems of a socialist orientation are formulated today with the classical inheritance for the Marxist. It hardly makes sense, for example, conducting a polemic about the noncapitalist development of "third world" countries without having shown that the problem of the "bypassing" of capitalism has a long intellectual tradition, that it emerged not on the periphery of Marxist thought but in the channel of its main philosophical quest in the last 20-year period (1875-1895) of the work of K. Marx and F. Engels and that Lenin's political testament, which marked the contours of a dispute with a different tradition (but one which had also developed within the channel of Marxism)—that which was most fully expressed by war (distributive, wage-leveling) communism in Russia and which has been giving off ideological "discharges" right up to the present day—was a stage in the development of this tradition. The unity of these traditions, which are antagonistic, but within the bosom of Marxism, is predetermined by their common orientation toward the universality of revolutionary transformations; the contrast and dispute within this unity ensue from the difference in the understanding of the ways toward what Marx called the world-historical "result,"⁵ as, equally, in the interpretation of this result.

In the "The Communist Manifesto" (1848) the prerequisite of communism as the world-historical "result" is the conversion of the world into a single, capitalistically producing society. The bourgeoisie appears in the "Manifesto" as a class which cannot exist without revolutionizing constantly the totality of social relations and which for this reason enlists in the sphere of capitalist civilization all peoples of the world or, in other words, "creates for itself a world in its own image and likeness."⁴ In the logic of the "Manifesto" the movement of the world toward a single capitalist mode of production is initial and not in doubt. But it is the initial nature of this premise which Marx and Engels dispute in the course of their own theoretical development, and an indication of the restructuring of the foundations of their own theory is the advancement of the idea of an "abridged process of development,"⁵ whereby countries which are economically backward by West European standards arrive at a socialist system by "bypassing" the full cycle of separation of the producer from the means of production.

The inner logic of this evolution is superbly revealed in M. Ya. Gefter's work "Russia and Marx".¹⁰ For my part, I wish to distinguish just one aspect thereof. Allowance of the possibility of the "bypassing" of capitalism (that is, development by a path fundamentally different from that taken by West Europe) redefined the framework of what we call the classics of Marxism; equally, substantiation of a development path different from and potentially alternative in relation to the West European path and, consequently, denial of the "linear nature" of progress as unidirectional movement toward a uniform result known in advance have become—together with the ideas of the "Manifesto"—classical. The new understanding is formulated by Marx in terms of a procedural prohibition on the use of an "all-purpose master key" in the form of an imaginary profound theory "of a general path along which all peoples are fatally condemned to travel."¹¹ However, no less important is the fact that the world-historical prospect of the "Manifesto" not only is not rejected by the new understanding but, on the contrary, is consolidated thanks to the more specific idea of development as *unity in diversity*. And, correspondingly, the opposite side in the intra-philosophical dispute which arose in this soil became an understanding of *unity as standardization*—an understanding fed both by the commonplace gravitation toward the regulation of surroundings and the indomitable revolutionary willpower of those driven by the conviction that the law and goal of development had been revealed to them once for all.

The idea of the possibility of "bypassing" the capitalist phase entered Marxist theory through contact with Russian peasant socialism. Marx and Engels discerned in the ideal of a harmonious society based on communal collectivism not yet destroyed by capital a reflected "moment of truth"; the actual fact of the existence of production cooperation within the framework of the peasant village and the impossibility of abstracting oneself from this fact without lapsing into hare-brained schemes and doing violence to reality. Whence K.

Marx's agreement with N.G. Chernyshevsky, who saw the possibility of bypassing under Russia's conditions the falsity of the capitalist system and of its fruits being taken possession of by all, developing "their own historical attributes." In addition, at the end of the 1870's-start of the 1880's this possibility appeared to Marx as "the best opportunity which history has ever afforded any people."¹² The best (I mention this conclusively in order to emphasize the nontrivial correlation of "utopia" and "science" in classical Marxism) inasmuch as this "opportunity" would have enabled Russia to have avoided the "plague of proletarianism," which had infected the people and appalled more than just Chernyshevsky. As distinct, however, from the Russian socialists, Marx formulated his conclusion with due cautiousness and imparted to it a particularly probabilistic nature: if Russia continues to follow the path which it has taken since the abolition of the peasant law (that is, the path of the commune-destroying rapid development of commodity-capitalist relations in town and country), the possibility of "bypassing" capitalism would be irretrievably lost.

The archaic peasant village with its production collectivism appears in the works of late Marx not as a synonym for backwardness, underdevelopment and sluggishness (the stagnation of the commune was a consequence of its parasitical exploitation on the part of Russian capitalist speculative promotion encouraged by the despotic state) but a prototype of the future worldwide cooperation of the people of labor. However, the said possibility could only become a reality given two obligatory conditions formulated unequivocally and strictly by Marx (if these conditions are absent, the very possibility is closed off also). First, an "abridged" process of development is possible, as already mentioned, only if it begins before the capitalist environment has conclusively undermined communal production relations. Second, this way to socialism is conceivable only when it becomes the way of the assimilation of the giant productive forces already accumulated by the developed capitalist society. The entire dialectic of the possibility-impossibility of "bypassing" capitalism is contained between these two "if's".

In connection with this nonelementary development of his and Marx's theory Engels deemed it necessary to recall the "ABC of socialism": essential for the creation of a society doing away with class distinctions is the existence not only of a proletariat but also a bourgeoisie as the class which was able for the first time to raise the social productive forces to a "very high" level of development. Only the top of this level, Engels emphasizes, can ensure the firmness of the abolition of class distinctions and real progress. Otherwise the attempt to abolish private ownership and classes would entail catastrophic consequences: it would be the cause of "stagnation or even a slump in the social mode of production."¹³

What is elementary, thus, is the fact that the transition to a society in which the free development of each becomes a condition of the free development of all was conceived

of by the founders of historical materialism as the consistent assimilation of the sum total of the productive forces developed by the capitalist mode of production. And in this light the true theoretical merit of Marx and Engels was their ability to discern in the rapid development of reform Russia as a capitalistically backward country ("there is no other country in which, despite all the primitive wildness of bourgeois society, in which capitalist parasitism is so developed"¹⁴) a feature of fundamental historic novelty: **backwardness as an advantage**. But Russian backwardness could appear to the revolutionary socialist consciousness as an advantage only in a strictly defined sense: the undestroyed nature of communal collectivism with its entire complex of labor skills and folk customs presupposed—in principle—the possibility of a **synthesis** of this structure with the material and intellectual forces of the level which had been attained by the industrially developed West. But why **synthesis**? And what precisely was it considered possible here to "bypass" or "abridge"?

It becomes apparent from the texts: "bypassing" referred to such an inalienable component of the historical formation of capitalism as the separation of the producers from the means of their production (the land, crafts implements and so forth), "abridging," the school of the European political experience which incorporated the centuries-long process of the accumulation of the sufferings of the expropriated masses at one pole and the unprecedented concentration in the form of "capital" of all the material and human components of social wealth at the other. Indeed, as Marx informed the editor of "Notes From Home," this would be, were it to become possible, "the best opportunity which history had ever afforded any people!"

And the emergence in classical Marxism of the idea of a synthesis of collectivist archaisms becoming a part of the human race's genetic code and the highest achievements of European industrialism is understandable in this light. Neither the peasant village of the Russian commune nor the worker cooperative nor any other archaically primitive form of production cooperation could be the **immediate** soil for socialist socialization on a national scale. And could not merely because it did not contain within it a source of development: precisely nondevelopment (Nicht-Entwicklung in the terms of "German Ideology") as a fundamental feature of the inherently natural coalescence in one of the working individuals and the main condition of their production—the land—had been the reason for the astonishing stability of the forms of the farming community for millennia.

A most important historical mission of West European capital, as Marx explains in the same letter in "Notes From Home," was the fact that it provided "**simultaneously** (my emphasis—V.M.) the greatest boost to the growth of the productive forces of social labor and the full development of each individual producer."¹⁵ If this simultaneity is not understood literally, its intrinsic

dialectic is such that it was the liberation of the individual producer from the "natural" attachment to the archaic collective and extra-economic compulsion on the part of the big precapitalist and early-capitalist proprietors, who had exploited the community, which was the social source of the very great growth of the productive forces of social labor as a whole. In actual history **the progress of the freedom of man** (as the producer and proprietor of the conditions of his existence) **is inseparable from the progress of private property**, as it is inseparable from class polarization into a minority of proprietors of "capitalized" social wealth free of compulsion and the masses of those "free" of property altogether. Bypassing the long historical period of social injustices born of polarization, but borrowing and assimilating the most important social fruits of European freedom; "reducing" the price of progress, having paid for it with the accelerated, **revolutionary** assimilation of the experience of one's predecessors—this is the profound humanitarian meaning of the project for the "bypassing" of capitalism as it appears in the works of Marx and Engels.

II

The negation of this project and its opposite was the war-communism practice, in the course of which the assimilation and surmounting of private ownership was transformed into the myth of the "socialist nature" of general statization, and the initial set of problems for the authors of the "Manifesto" of human freedom, into an ideological stereotype of freedom as the majority's domination of the minority. It is very important, however (granted the entire depth of the current nonacceptance of war-communism practice), to avoid the temptation to depict war communism as a "distortion" and "deformation": those speaking about deformation should, in keeping with this logic, declare a "distortion" the second program of the Russian Communist Party (Bolshevik), numerous works by Lenin and the entire Russian revolution.

The historical roots of war communism are to be found in the general understanding of the **worldwide** nature of its mission by which the Russian communist movement is successively connected with the European movement. The revolutionary spirit of the European 1848 which permeated "The Communist Manifesto" and the revolutionary spirit of 1917 with the practice of war communism which grew out of it are historically close: close not only in perception of the universality of the liberating revolutionary upsurge but also in attitude toward the worldwide revolutionary cause as something being accomplished **directly**. The "word and deed" of the revolutionaries of 1917 were based on the profoundest conviction that the world revolution had already begun, that it would take place before their eyes and that the more radical the revolutionary Russian protest, the easier the worldwide victory bringing liberation from exploitation and oppression would be come by. Universality of the revolutionary cause and the immediate

practicability of the world assignment in this way—this was the alpha and omega of the war-communism philosophy. But what were its leading principles recorded in the documents of that time?

The main (and essentially sole) driving force of socialist revolution was proclaimed the state of proletarian dictatorship designed to accomplish a radical social revolution by way of the extermination not only of large-scale capitalist ownership but also its economic basis in the form of simple commodity production. Since the capitalist society, divided into classes, can exist only thanks to "civil peace" or a certain community of interests of the opposed classes—a community which "has held back terribly the course of revolutions"—the proletarian state is obliged to constantly wage "civil war". Even more particularly: "proletarian revolution is... the rupture of civil peace—it is civil war."

Politics and economics in the proletarian state "must coalesce... in a single whole," as a result of the merger, however, "state-proletarian coercion" becomes the determining lever of social and economic revolution. The coercion of the state means "economic potential" and the sole means of building within the framework of the worldwide victory of the proletariat "full stateless communism". The greater the scale of the coercion exercised by the proletarian state here, "the fewer the 'costs' of the transitional period (all other conditions being equal, of course), the sooner social equilibrium is established on a new basis and the more rapidly the curve of the productive forces begins to turn upward."

The object of compulsion on the part of the state are not only the major proprietors but also the mass force which appears in the form of the "speculative unruliness of the peasantry embodying small-scale property and market chaos." The feeling of being a proprietor pushes the peasant "into the embrace of reaction" and is expressed "in resistance to the state grain monopoly and an aspiration to free trade, which is profiteering."

What confronts this chaos? The state plan of the proletariat as "socialized labor," the total centralization of production, that same grain monopoly, general labor service and the compulsory mobilization of the population for unpaid work, a voucher distribution system, fixed prices and so forth. It is assumed that the state acts as "social regulator" here and that "the commodity becomes a product and loses its commodity nature". The period of transition from capitalism to socialism is thus a negation of commodity and money, which, in accordance with this logic, "cease to be a universal equivalent, becoming the conventional... sign of product circulation." And this entire policy, "from the viewpoint of a historical scale of great magnitude... is... the method of the cultivation of a communist mankind from human material of the capitalist era."¹⁶

These quotations rehabilitating the logic of war communism are taken from two books by N.I. Bukharin—"Theory of Proletarian Dictatorship" (1919) and "Economy of the Transitional Period" (1920). The latter was immediately upon its publication closely studied by V.I. Lenin, who made a high assessment of it, on the whole, and made numerous notes in the margins. It is worthwhile, I believe, dwelling specially on one of them referring directly to the widely-known idea of V.I. Lenin's which he was to express (2 months after having read Bukharin's book) at the Second Comintern Congress and which in truncated form was to become a part of a number of documents of the Stalin Comintern of the end of the 1920's-start of the 1930's and which would subsequently, following an interval of a quarter of a century, be reproduced by N.S. Khrushchev in 1959 in the report at the 21st CPSU Congress. This was the idea concerning the possibility of the transition of backward countries "to a soviet system and, after certain phases of development, to communism, bypassing the capitalist phase of development."

This is what Bukharin wrote: "...Colonial uprisings and national revolutions become a part, as an integral component, of the great world revolutionary process, which is shifting the entire axis of the world economy"; the disintegration of capitalist production relations which occurs here "facilitates the victory of the proletarian revolution and the dictatorship of the working class." Underlining Bukharin's italics, Lenin emphasized the words "integral component" and noted in the margin: "Precisely!"¹⁸

This brief textological excursion shows, in my view, the following: the formula "toward communism, bypassing the capitalist phase of development," transferred from "war-communism" 1920 to 1959, made in the 1960's-1970's the basis of the ideas concerning a "state of national democracy," "noncapitalist development" and "socialist orientation" and not critically reinterpreted to this day even—this formula is inseparable from the climate in which world revolution was conceived as a directly practical, urgent matter, and the state's coercion of noncapitalist petty proprietors, as the way to build socialism. And, correspondingly, the "bypassing" of capitalism concept, as we have interpreted it as of the 1960's, was the result of the uncritical transference of the philosophical ideas of the war-communism times to the reality of the post-colonial world.

The stability of the views born of this period indicates that the above-mentioned ideas cannot be partially updated and adjusted, they may only be completely restructured. Otherwise we will be shamefacedly removing from the "bypassing" formula the word "communism," but continuing to regard the national liberation revolution as "inevitably" going "beyond the framework of capitalism".¹⁹ We will be softening the proposition concerning "inevitability," ceasing to maintain that "capitalism as a system has outlived its time"²⁰ and leaving out the question of the socialist goals of the

"bypassing" and the actual political system of the so-called revolutionary-democratic regimes, but will be reiterating that the "state of national democracy" is a guarantee of movement "along the path of social progress".²¹ We will be believing this state itself, if not the sole creator of the transition to socialism, in any event, an indispensable guarantor of "noncapitalism," a democratic, revolutionary and progressive spirit and so forth (in accordance with the ideological self-assessment of this state and the language of the far-off war-communism times in which we often continue to speak without being aware of it ourselves). And the key to a restructuring of this language and this thinking, since we are discussing the question of the possibility of a socialist orientation and socialist policy in the "third world," is a fundamentally updated understanding of socialism, which in preliminary form and general outline V.I. Lenin formulates in his political testament. What he bequeathed appears today, in M.Ya. Gefter's precise expression, as "Lenin's revolution of reforms," as "the NEP alternative to October" and, in this capacity, as a "new world policy".²² There is no doubt that these ideas of Lenin's are still to be comprehended and developed.

III

With what, then, did Lenin invest the demand for a "fundamental change of our entire viewpoint of socialism"²³—a demand made at the end of his life and addressed not only to himself but his successors also? To understand this means reaching a new theoretical frontier in the analysis of the prospects of socialism for countries with an undeveloped economy.

What needed "fundamental change"—reconsideration, restructuring—in Lenin's eyes, was the war-communism viewpoint of socialism, in accordance with which the measure of "socialistness" was assumed to be the measure of state coercion of private interest, while socialization of the means of production was conceived of as nothing other than the complete statization of the reproduction process in all its phases. War communism, which had been nurtured by a sense of the immediate proximity of world revolution and which had come to believe in the creative mission of the centralized state will, turned from a utopia of worldwide social brotherhood in to a monstrous anti-utopia of the general abolition of private interest.

It is striking how accurately the young Marx predicted such a metamorphosis of immature communist aspirations. Characterizing the communism which aspires "to do away with all which, on a **private ownership** basis, cannot be possessed by everyone," a "communism denying everywhere man's **personality**," Marx wrote: "That this abolition of private property is by no means its genuine assimilation can be seen from the abstract negation of the whole world of culture and civilization and the return to the **unnatural** simplicity of the **poor** man without requirements, who not only has not risen above the level of private ownership but has not grown to

this level even."²⁴ The state may arrive here "only by the path by which it arrives at the destruction of life, at the **guillotine**." And Marx continued: "At moments of a particularly heightened sense of its power political life endeavors to suppress its prerequisites—the civil society and its components.... But it can achieve this only by coming into **violent** contradiction with its own living conditions, only by declaring the revolution to be **continuous**, and for this reason the political drama just as necessarily ends in a restoration of religion, private property and all the components of the civil society as war ends in peace."²⁵

It is remarkable to what extent the logic of Lenin's change from war communism toward the NEP reproduces the logic of Marx's philosophical speculation: from civil war to civil peace, from "the particularly heightened sense of its power" in the activity of the state to the restoration of the natural conditions of people's material life and restoration of the rights of "the whole world of culture and civilization" rejected in the paroxysm of war communism (N.I. Bukharin also arrived at this—from "economics of the transitional period"—at the end of his life: in 1936 he was to express the idea concerning "the restoration of mankind" on the paths of realization of a "general synthesis of culture".²⁶)

In the context of this fundamental revision "the fantastic nature of the plans of the old cooperative makers, from Robert Owen on," would be revealed to Lenin by no means in their fantastic aspect, when an analysis of the possibility of "turning class enemies into class cooperators (!—V.M.) and class war into class peace (so-called civil peace)"²⁷ would take pride of place for him. Lenin conceived of the essence of the "fundamental change" of the view of socialism as the practical transfer of the center of gravity of all socialist work from the sphere of politics, state power, struggle of the classes and so forth to "peaceful organizational 'cultural' work". And within the framework of this transfer there were "two principal tasks constituting the era": the culturing of the machinery of state, which was "good for precisely nothing," and "cultural work in the peasantry, as an economic goal."²⁸ The failure of the utopia of transition to a stateless communist system with the aid of all-embracing state coercion made it practically (and not speculatively) clear to Lenin that an attempt to "bypass" in the process of the socialist socialization of production such achievements of civilization as free labor and the free exchange of the products of labor would not only completely close the path toward a more just social system but would lead to the death of a civilized community.

In the NEP future "the socialism which earlier evoked... derision, a smile and a dismissive attitude toward it on the part of people rightly convinced of the need for class struggle, struggle for political power and so forth," Lenin wrote, "will achieve its goal of its own accord" on condition that: 1) the state confirms in practice the **worker-peasant** nature of its authority, regarding the

future of socialism from the viewpoint of a nonopportunist "agreement" between the two main—proletarian and private-owner—working classes, the last of which is by no means to be subject to compulsory alteration in the process of transition from the multistructure social reality to some imaginary homogeneity of society; 2) the structure of state ownership and the entire economic policy of the state are oriented toward the civilized **cooperative worker** as a central, key figure of the socialist system which is being created and the task with the aid of exchange organized in plan-based fashion of "establishing contact between town and country" grows into a "giant world-historical cultural task"; 3) by the joint forces of the worker-peasant inspectorate and the exponents of the old culture the mortal danger for socialism of the machinery degeneration of state power (a situation where "this machinery does not belong to us but we belong to it!") is forestalled; 4) the bourgeoisie, both Russian and international, is admitted "on certain conditions" to the cooperation of the two working classes.²⁹

Lenin's alternative understanding of socialism thus holds on to the world-historical prospect of the creation of a new social system, but denies a world communist revolution as a direct act of the concentrated will of a revolutionary vanguard. And in this sense the progress of Lenin's thought toward the NEP is congenial to the movement of Marx and Engels away from the ideas of the "Manifesto" toward the idea of an "abridged path of development". And the "abridged" path itself appears in Lenin's political testament as a new **synthesis** of production cooperation (the pooled free labor of independent producers) and the highest achievements of capitalist civilization in the sphere of development of the productive forces. The possibility of this synthesis, the possibility of "bypassing" such a prerequisite of the accumulation of social wealth as the separation of the workman from the objective conditions of his labor, is revealed in **revolution**, but no revolutionary change in itself guarantees progress on this path.

IV

So the question: "What kind of socialism?" cannot be avoided upon an evaluation of the prospects of a socialist orientation in the "third world". Its very formulation and the search for an answer are impossible without an analysis of the revolutionary experience of the past—experience which is by nature world experience and in this sense common to both East and West and Russia. But it is important, given this enlargement of the framework of the set of problems, not to lose the problem itself, and the most practical and valuable reference point here is Lenin's final word in the field of socialist theory embodied in his political testament, namely: **socialism as a civil society with really socialized social relations based on the multistructural nature of modes of human activity**. We will not find in Lenin a literal expression of this idea, indeed, it is rather not an idea but an image—one of the last images of Lenin's consciousness. And we see that such an image of socialism is

alternative to any understanding of progress as standardization, as subordination to the activity of one sole mode of production, be it a utopia of the general domination of capital over labor and nature or an anti-utopia of the general statization of people's life.

The renewed socialist ideal which we have reconstructed anew today proceeds from the multistructural nature of the modes of human activity (modes of production and reproduction of people's social life) as a fundamentally ineradicable historical given. The contemporary socialist orientation in this understanding thereof is a path of development between two impossibilities: the impossibility of doing away with "capital" (as social wealth which has been accumulated by history and is embodied) and the impossibility for "capital" of enveloping the whole world (that is, subordinating entirely people's life and fate to "material" relations which have been alienated from them). And in keeping with the positive content of the socialist orientation is a **synthesis** of the components of the social system which mediates people's relations by the general exchange of the products of labor and types of activity, which, while not exclusively a product of capitalism, developed, nonetheless, in the bosom of capitalist civilization and is its pinnacle of achievement, and components of the opposite system based on the direct cooperation of labor efforts going back to the archaic depths of the first principles of the human race. The socialist orientation in such an understanding thereof is a **planetary matter**, which does not have a missionary-exponent and of which no one has a monopoly but which, above state, racial and confessional boundaries and prejudices, unites peoples by a common nonacceptance of oppression born of property and power alienated from man.

The "third world" has by its multistructural nature and irreducibility to either the "first" or "second" worlds (given integration of features and characteristics of both) brought into maximum focus for our consciousness the problem of unity in diversity as a world-historical norm. In turn, the heightened focus of this problem requires a soberly skeptical attitude toward the actual possibilities of the socialist alternative in the "third world" of the end of the 20th century. In any event, to the extent to which we bind the socialist orientation to the all-embracing activity of this state or the other and to a regime of military-bureaucratic dictatorships centralized just far enough to prevent the working people's self-organization and not get in the way of the freedom of private parasitical accumulation under the roof of the "managerial" activity of the machinery of state, to that same extent we will, like Moliere's hero who spoke in prose without knowing it, project onto the real "third world" the reflected light of our own war-communism past.

The "new-type revolution" appears as an alternative to the existing type only in the event of it being recognized that such a revolution is for the developing countries not in the past (as was imagined in the 1960's-1970's) but in

the future. It may go and lead beyond the bourgeois-democratic framework in only one sense: positively assimilating the liberation content which history has enclosed within this framework. That such a movement "beyond the framework," toward universal unity, is an imperative of development in a world moving toward an irreconcilable confrontation of "national" ideas was understood by the revolutionaries of 1917. It is the lot of those succeeding them primarily to understand that movement toward a worldwide human community cannot be the apotheosis of coercion, and for this reason this movement not only does not have the right to encroach on the actual multistructural nature of the modern world—developed and developing—but is faced with the acute need to consciously develop the multiplicity of lifestyles which have taken shape on earth spontaneously into a culture of "invigorating differences".²⁰

Footnotes

1. I employ the terms "noncapitalist development path" and "socialist orientation" as synonyms inasmuch as a strict delineation thereof proceeding from the criteria of property and power relationships has yet to be made.

2. See G. Mirskiy, "The Emergent States: Development Paths," *AZIYA I AFRIKA SEGODNYA* No 3, 1987; *ibid.*, "On the Question of Choice of Path and Orientation of the Developing Countries," *MEMO* No 5, 1987; V.L. Sheynis, "The Developing Countries and the New Political Thinking," *RABOCHIY KLASS I SOVREMENNYI MIR* No 4, 1987; V. Li, G. Mirskiy, "The Socialist Orientation in the Light of the New Political Thinking," *AZIYA I AFRIKA SEGODNYA* No 8, 1987; Yu. Aleksandrov, V. Maksimenko, "Once More About the Problem of a Socialist Orientation," *ibid.*, No 10, 1987; N. Simoniya, "Lenin's Concept of the Transition to Socialism and Countries of the East," *ibid.*, No 4, 1988; A. Kaufman, R. Ulyanovskiy, "On the Question of the Socialist Orientation of Emergent Countries," *ibid.*, No 5, 1988; N. Simoniya, "Conducting Scholarly Debate Honestly!" *ibid.*, No 6, 1988; I. Zevelev, A. Kara-Murza, "The Afro-Asian World: Contradictions of Social Progress," *ibid.*, No 7, 1988; Yu. Ivanov, "Certain Questions of Noncapitalist Development," *ibid.*, No 8, 1988; V. Maksimenko, "Lenin's Political Testament and Certain Problems of a Socialist Orientation," *ibid.*, No 9, 1988; A. Kiva, "The Socialist Orientation: Theoretical Potential of the Concept and Practical Realities," *MEMO* No 11, 1988; G.I. Mirskiy, "The Socialist Orientation in the 'Third World,'" *RABOCHIY KLASS I SOVREMENNYI MIR* No 4, 1988.

3. V. Shenis, *Op. cit.*, p 80.

4. Yu. Ivanov, *Op. cit.*, pp 15-16.

5. K. Marx and F. Engels, "Works," vol 18, p 544.

6. A. Kaufman, R. Ulyanovskiy, *Op. cit.*, p 23.

7. See K. Marx and F. Engels, "Works," vol 46, pt 1, p 47.

8. K. Marx and F. Engels, "Works," vol 4, p 428.

9. K. Marx and F. Engels, "Works," vol 22, p 446.

10. See *RABOCHIY KLASS I SOVREMENNYI MIR* No 4, 1988, pp 152-170.

11. K. Marx and F. Engels, "Works," vol 19, pp 121, 120.

12. *Ibid.*, p 119.

13. K. Marx and F. Engels, "Works," vol 18, pp 538, 537.

14. *Ibid.*, p 540.

15. K. Marx and F. Engels, "Works," vol 19, p 120.

16. "The Way to Socialism in Russia. Selected Works of N.I. Bukharin," New York, 1967, pp 121, 67, 71, 68, 114, 85, 112, 118, 119.

17. V.I. Lenin, "Complete Works," vol 41, p 246.

18. V.I. Lenin, "Comments on N. Bukharin's book 'Economy of the Transitional Period,'" "Lenin Digest," vol XI, Moscow-Leningrad, 1931, p 399.

19. "Classes and Class Struggle in the Developing Countries," vol I, Moscow, 1967, pp VI, VII.

20. "Paths of Development of Countries Which Have Won National Independence and World Socialism," Prague, 1964, p 21.

21. A. Kaufman, R. Ulyanovskiy, *Op. cit.*, p 20.

22. See M.Ya. Gefter, "Stalin Died Yesterday," "It Had To Be," Moscow, 1988, pp 319, 312, 314.

23. V.I. Lenin, "Complete Works," vol 45, p 376.

24. K. Marx, "Economic-Philosophical Manuscripts of 1844," "K. Marx. From the Early Works," Moscow, 1956, pp 586-587.

25. K. Marx and F. Engels, "Works," vol 1, p 393.

26. See *SOVETSKAYA KULTURA*, 13 September 1988.

27. V.I. Lenin, "Complete Works," vol 45, p 375.

28. *Ibid.*, p 376.

29. See *ibid.*, pp 369, 367, 441, 387 and elsewhere.

30. See M. Gefter, "From a Nuclear World to a World of Communities," VEK XX I MIR No 3, 1988, p 36.

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West European Military Integration Viewed
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[Article by Anatoliy Viktorovich Rassadin, senior scientific associate of the USSR Academy of Sciences
IMEMO: "West European Military Integration—Prospects and Possible Consequences"]

[Text] Study of the current, increasingly dynamic processes occurring in the military sphere requires a broad comprehensive approach and their correlation with the new trends encompassing on a broad front the economic, political and social spheres of world development. As observed in M.S. Gorbachev's report at the 19th party conference, an intensification of the internationalization of all processes is characteristic of the increasingly integral and interdependent world, granted all its contradictoriness.

The proposition concerning the unity and indivisibility of the world around us representing a complex system of relationships and interdependencies of states and regions pertains equally, it would seem, to military activity also. For this reason it is particularly important when evaluating the role of the military component in present-day international relations to proceed not from evolved stereotypes but to consider the general trend of the internationalization of all spheres of activity. Including those, as it seemed earlier, of an exclusively national nature of its components like the military sphere. In other words, it is a question of development of the process of internationalization of the role and functions of military power and the system of international security taking shape under the new conditions.

I

The abrupt political and military consolidation of the capitalist countries occurred within the framework of the bipolar world in the postwar period. This was manifested, as is known, in the formation of the NATO bloc. However, this process subsequently came to be suffused with new content as a result of the appearance of multiplying objective prerequisites which brought about a qualitatively new level of coordination of states' military and political efforts. It reflects the complex configuration of the modern world, including, specifically, the gradual "erosion" of the bipolar structure and a considerable expansion of the geography of the active participants in military activity.

This development of events, accompanied, nonetheless, by the continuation of centripetal trends in the military sphere, also had an appreciable economic basis formed by qualitative changes in the world capitalist economy. A big part was played at a particular stage by the policy of the United States in respect of its allies, which actively stimulated the internationalization of the capitalist economy. Following the comparatively short period of postwar restoration thanks to a set of both extra- and intraregional factors, integration processes came to be developed in West Europe. The United States' cooperation with Japan and the West European countries assumed with the growth of their economic potential increasingly ramified and mature forms, their interdependence increased and economic interests became intertwined.

Undoubtedly, this by no means precludes the preservation and emergence even of new nontraditional forms of interimperialist contradictions. However, under conditions where not extensive (as was the case earlier) but intensive (associated with assimilation of the results of the S&T revolution) factors of development became determining such "traditional" indicators of economic and military power as territory with its raw material resources, population and so forth, the aspiration to acquire which had been the motive of virtually all wars, lost their former significance. As a result the incentives to wage wars "within" one system simply disappeared among the developed countries. In addition, the world capitalist economy, which is now characterized by an exceptionally complex, ramified system of relationships, essentially dictates a new evaluation of the role of military power. It is obvious that a situation has taken shape whereby its direct use on some in any way significant scale for the solution of possible international conflicts is meaningless and is becoming simply impossible without the danger of destruction of the foundations of mutual relations of vital importance to each country.¹ For this reason interstate and regional institutions for settling political and economic problems began to take shape and develop.

The internationalization of economic activity and the need connected therewith for coordination of positions in approaches to the accomplishment of world-economic tasks is being reflected in the political sphere also. No accident, therefore, is the trend, which is becoming increasingly distinct, toward a manifest enhancement of the political component in the annual meetings of the heads of state of the seven most developed capitalist countries. It has to be emphasized that the mere fact of the creation of such a coordinating institution of the leading powers (representing simultaneously the "three power centers" also) is of extraordinarily great significance.

Thus the impossibility, essentially, of a military conflict between the capitalist countries is associated not only, as it has frequently been customary to believe, with the confrontation of the two systems in the world arena. The

reasons are far more diverse. And, it would seem, we should cite among the most essential of them the imperative of the internationalization of all spheres of human activity. The rapid progress of this all-embracing phenomenon is leading to a large extent to a unification and identity of views on problems of security and creating in the West, for example, a certain division of functions in the military policy of countries and coalitions thereof. This is serving as the basis for an intensification of centripetal trends in the military sphere and becoming the starting point of the developing process of internationalization of military power (although within the framework of the existing military-political formations as yet).

Together with this the appearance of nuclear weapons and, subsequently, the strategic nuclear parity which took shape between the USSR and the United States also created limits in principle to the use of military force along East-West lines. It is in practice generally acknowledged that the military solution of the historical contradiction between socialism and capitalism is tantamount to collective suicide.

With the growth, on the other hand, of the economic and political significance of new power centers (or sub-centers) their military component also will inevitably have to be built into an all-embracing system of international security, without which it cannot be created. Therefore as the entire complex of intercountry and interregional relations continues to deepen and expand on a truly global scale, military force as a means of realization of political ends will evidently in time essentially wither away. This should lead to a change in the nature and scale of military preparations, which will to an increasingly large extent be a reflection of the limited or even, in time, "police" functions of the internationalizing armed forces.

In speaking of the internationalization of the role and functions of military power, we proceed from the fact that it is a most important component of the process of formation of an all-embracing international system of collective security. As a result military power must gradually become an instrument of joint action (within the UN framework, for example) for the world community's prevention of a dangerous exacerbation of possible crisis situations.

At the same time it has to be noted that if relations along East-West lines do not steadily improve, it is obvious that the internationalization process will be localized within the confines of the groupings confronting one another, making impossible in principle the creation and functioning of this common system of international security.

At the present time the processes of internationalization of economic, political and military aspects of states' activity are developing at two levels, as it were—global and regional.

The first level is the intensifying internationalization of all interstate relations creating the bases of a global world-economic and political structure. It is clear that up to now its formation has proceeded at a quite slow pace and has been determined to a considerable extent by the relations of the two social systems. As their political and economic relationships expand and intensify, this process will obviously be manifested increasingly distinctly.

The second is the regional, "focal" level. It is here that integration is developing. In terms of depth and intensity it is considerably outpacing global internationalization processes, although is an inalienable part of them.

All this is reflected in full in the military sphere also. And in recent years, what is more, the intensity of the changes therein has been clearly growing and is now no longer inferior in terms of tempo to the changes in the economic and political spheres. However, internationalization in the military sphere is at the global level developing unevenly, attaining its most developed forms in relations between the leading capitalist countries. It is here that the highest level of political and military stability and unity of common strategic interests is observed.

With its allies' participation the United States has in the last decade also been exerting big efforts for the formation of so-called aggregate military power, a task of which is incorporation of as large a part of the South as possible in joint military activity. This is associated with the need to maintain stability in the so-called "peripheral" regions playing an ever increasing part in the economy and policy of the United States and its allies: the most striking example is the Asia-Pacific region and the Near and Middle East. It has to be noted that a most serious argument employed for realization of this policy is the proposition concerning the continuing "globalization of the Soviet military presence".

A characteristic feature of regional integration, however, is the fact that it aspires in its development to the creation of supranational forms of social relations and is leading to the formation of the corresponding regional institutions and is intended in a more mature form to combine within it to a greater or lesser extent uniform economic, political and military structures. The processes occurring in West Europe, where integration has acquired fully shaped contours, may serve as the clearest example of such development. Military integration is being accompanied by the formation of the corresponding common military-economic base and the gradual coordination of uniform military-political concepts. It is a reflection and expression not simply of a sum total of national interests but is developing in subordination to regional tasks. In this connection military development in West Europe is being implemented also under the influence of the ever increasing role of regional priorities, which is essentially leading to the armed forces' loss of their exclusively national nature (understanding by this a fundamental change in the situation which had taken shape over a long period of history, when even allied

countries implemented their military preparations in isolation, without direct and constant cooperation at all stages—from the elaboration of the concepts of such preparations through support for the tasks of efficient operational interaction).

With a varying degree of intensity integration processes are blazing a trail for themselves in other regions of the world also. However, for objective reasons their development, in the military sphere included, is taking place under conditions which are appreciably different from West European conditions. This is connected primarily with the fact that the West European region itself represents quite a unique phenomenon. Specifically, the world's sole so "compact" association of highly developed capitalist countries is located here. In addition, it perceives the powerful impact of such a geopolitical factor as the proximity of the USSR and the other Warsaw Pact countries, being the center of East-West military confrontation.

It is essential, in our view, when studying West European integration to clearly determine its causes and aims. As far as the first are concerned, we agree entirely with those who believe that not only economic but also political integration in the region was brought about by objective prerequisites.² However, military integration is often separated from the above integration into some independent component depending not on objective factors but on situational, albeit very serious, circumstances. In other words, it is allegedly possible, for example, to practice full economic integration, but separate from it the military-economic component, move gradually toward greater political unity, but ignore here still so an important an instrument as military policy, aspire to the implementation of a common S&T policy but in some way cut it off from R&D associated with the military sphere, which is, incidentally, becoming increasingly interwoven with the civil sphere. Our position, however, is that military integration is inseparable from the general integration process. This will be the case as long as the military component is actually present in the system of international relations.

Discussion of the aims of military integration in Europe merits special attention. They are interpreted here in a number of articles published in our press as being geared to a change in the balance of forces between East and West and, consequently, as being potentially dangerous for the USSR. In our view, this is incorrect. We will examine this problem in more detail below. It is expedient here merely to note that West European integration is, of course, to a considerable extent also a reaction of countries of the region to East-West military confrontation. However, they have not played, are not now playing (and, what is most important) do not wish to play in the foreseeable future the part of a force capable of independently solving problems of global confrontation.

In addition, an important goal of military integration in the region and one that is becoming increasingly significant is securing regional "vital interests" outside of

Europe under the conditions of the possible growth of instability along North-South lines in an atmosphere of a perfectly probable sharp lowering of the intensity of the confrontation along West-East lines. An example of this, incidentally, may be considered the concerted actions within the Western European Union framework of West European countries in the Persian Gulf. I would like to emphasize that they were undertaken in close interaction with other Western states.

Such are some general considerations pertaining to integration problems.

Two constituents should conditionally be distinguished in the process of West European military integration, in our view: military-economic and military-political integration (although they are closely interrelated and subordinated to a common goal, of course).

By military-economic integration in NATO's West European region we mean the formation of a system of intercountry mutual relations which creates the necessary prerequisites for the permanently coordinated use of resources allocated for military needs in individual states of the region; the joint implementation of programs of the development and production of arms and military equipment accompanied by the gradual loss by sectors of the military industry of their exclusively national nature; the construction of a common infrastructure; and so forth.

This process incorporates as components a complex system of bi- and multilateral intercountry relations in various spheres of military-economic activity and, like the process of European economic integration, is aimed not at the full equalization of individual-country singularities (although a certain "leveling" is taking place, of course) but at the formation of the corresponding conditions for the pursuit of a concerted long-term military-economic and military-technical policy, including the creation of a regional arms market.

To speak of military-political integration, it is expressed in an aspiration to the formulation of a common military policy and common regional military-strategic concepts and common principles of the development of the armed forces of the various countries and their permanent orientation toward interaction of the maximum efficiency based both on the growth of interdependence and a sharing of functions.

The final goal of this constituent of military integration is the realization of common approaches to the so-called "defense of the European area" and, correspondingly, an evolution of the military policy of individual countries which, given the preservation of a number of specific features, provides for their natural transition to principles of the accomplishment of tasks at the regional level.

In both the West European part of NATO and in the United States the viewpoint which back at the start of the 1970's was reflected in the "mature partnership" concept is strengthening increasingly. The meaning thereof amounts, *inter alia*, to the need for the West European countries' contribution to the bloc's military preparations to be brought into line with their powerful integrated economic base. Employing the NATO mechanism and also considering the growing process of the further development of European integration in the economic and political spheres, the United States has contributed to a large extent to the formation and independent military development of the "European pillar of NATO". In this connection the 1970's were a turning point not only as a result of the growth of the proportional military spending of West European countries. This occurred primarily as a consequence of their attainment of a new level in military-economic activity, which was directly reflected in the nature of intrabloc relations also. What it had earlier been customary to call a "one-way street" (in the sense of the predominant equipment of the allied armies with American models of arms and military equipment), when many West European states were in practice merely importers of this military product or technology, is gradually being transformed into "equal" partnership relations.

It should, however, be noted that, despite the West European countries' often declared aspiration to the organization of "bilateral movement" in military cooperation with the United States and an actual growth in the share of European products in military trade between the bloc's two regions, the complete equalization of exchange is in this case evidently unattainable. It is hardly expedient even for the NATO countries. And not only in connection, what is more, with the military-technical lagging of the United States' West European partners. The main reason is the ongoing development of regional specialization and the particular features of the military economy of the two "pillars" of NATO. In this sense equal-partner relations appear, from our viewpoint, as the equalization of levels of responsibility for safeguarding particular "strategic" interests, the nature of which has been modified considerably since the time the bloc was founded. In other words, at the present time the West European countries are capable of tackling problems of regional defense with a great degree of independence, paying priority attention to the development of "conventional" arms most fully corresponding to these requirements.

This approach to military development naturally differs markedly from the American approach geared to supporting a global strategy. In the material sphere this is manifested, specifically, in the fact that, owing to the "specificity" of many both American and West European military equipment models, the reciprocal use of the products of the military industry of both parts of the bloc is in principle of a limited nature.⁴ This is explained not only by the difference in level of S&T development,

which was determining earlier. The reason is the insufficiently determined dependence between the scale and intensity of military preparations and the actual military-political goals which this state or group of states or the other sets itself.

II

The biggest successes in military integration have been achieved in military-economic activity. Thus in the West European region of NATO even now in fact all large-scale advanced projects for the development and manufacture of arms (whether it be a question of national efforts, production of American models on license or joint efforts with the United States) are implemented on a multilateral basis. The trend toward a comprehensive, regional approach at the time of the selection and realization of new military programs, even if at first sight concord in the partners' actions is lacking, has been manifested increasingly distinctly recently. An example of this is the development of the EFA and Rafale aircraft. Each of them is being built to perform various functions by different groups of countries. However, technology is being exchanged and efforts to standardize a number of components are being made in the R&D phase.⁵ Following the interlinked decisions of Great Britain and France on the purchase of the American AWACS early warning and observation system, which prior to this had been used by other countries of the region, both the Rafale and EFA are being built in the expectation of interaction with this system.

Finally, efforts are being stepped up in West Europe pertaining to the formation of a regional S&T base, which, although going beyond the framework of military problems, is most directly connected with them.

The current level of development of R&D, of a military purpose included, is causing growing concern in West Europe. Compared with the United States, the European NATO countries are spending almost four times less on military R&D. However, it is not only a question of the amount being spent. Thus the Europeans spend on R&D as a whole twice as much as Japan, but, as is known, are considerably inferior to their competitors in the fruitfulness of scientific research.⁶ The duplication in research efforts and thereby the scattering of resources are leading, specifically, to a lowering of the efficiency of their use and making a solution of the problem of standardization more difficult.

Mention should also be made in this connection of the fact that the Eureka program is enjoying ever increasing development. Thus 10 projects were approved in 1985, 62 in 1986 (at a total cost of approximately \$2 billion) and twice as many in 1987. Being realized also is a whole number of important regional S&T programs along EC lines, without, however, so clearly an expressed political character as the Eureka. It is essentially designed to

ensure the technological component of the West European countries' independence under the conditions of the new stage of S&T progress.

It should be noted that all these projects mark in toto a fundamentally new approach to S&T cooperation, a distinguishing feature of which is the shaping of long-term uniform regional S&T policy. Thus without going into an evaluation of the specific forms into which this process may develop, we may with sufficient certainty speak about attempts at the present time to form a common West European S&T base.

In evaluating the state of military-economic integration as a whole it needs to be mentioned that a large part of the West European military programs is already of a joint nature. In a number of countries, the FRG, for example, spending on the realization of multinational projects constitutes more than 70 percent of total outlays on the development and purchase of arms and military equipment.⁷ All this is making it possible to speak of the formation of the foundations of a common regional military-economic structure.

However, the further extension of military integration in West Europe has until recently been held back by the absence of marked progress in the military-political sphere. It is here that events are now occurring which could be of decisive significance for the prospects not only of West European military cooperation but also, in the broad sense, for military interaction in the bloc as a whole. The scale of military-economic integration which has been achieved, the recognized need for such relations, the implementation of practical measures connected with them pertaining to the introduction of a common purchasing policy, the change in the structure of national armed forces and, finally, the coordination of strategic concepts and the goals of military cooperation are putting on the agenda increasingly often the question of the appropriate military-political institutions.

A whole number of steps is being taken in this direction. First, an ever increasing number of military-political problems is the subject of examination in the regional institutions which already exist (the Western European Union, the Independent European Programming Group and, to some extent, in the EC). Second, a distinct trend toward endowing them with new assignments pertaining to the coordination of military-political activity with the possible imparting to them of, at least, some of the functions of a "regional military alliance" is being manifested. Most promising in this respect, evidently, is the Western European Union, although its stimulation is proving complex. In addition, the union has only seven countries; it should, however, be noted that a trend toward its enlargement is already, evidently, perfectly defined.⁸ Third, spurring organizational solutions in this channel at the regional level, processes of close inter-country military-political interaction are developing. The most significant of them is, of course, Franco-West German military cooperation. It has attained the greatest

development and now encompasses practically all spheres of military activity, including the creation of a "defense council" and the formation of a common brigade consisting of servicemen from both countries. This interaction is seen in a number of instances as a kind of model for the development of the regional process, the more so in that both these countries are also "centers" of military-economic integration in West Europe.

Simultaneously the two countries' cooperation is raising a whole number of complex issues brought about by the fact that formally it is being exercised outside of the organizational structures of NATO since France is not a member of the bloc's military organization. This is all the more important in that such relations have recently been developing quite actively. Mention should also be made, however, of Spain's intention to take advantage of the subunit being formed in accordance with the "rapid deployment" force model for interaction under special circumstances with the French Quick Reaction Alert. Talks are under way in this area between Spain, France and Italy concerning the signing of a set of agreements on the interaction of their armed forces in the Mediterranean area. To support it France intends, *inter alia*, transferring some of the AWACS aircraft to be purchased in the United States for permanent patrolling in this zone.⁹ It is also significant that France and Great Britain envisage extensive cooperation within the framework of the use of their fleet of AWACS aircraft which is being created, which is by the mid-1990's to number 15.⁹

Anglo-French consultations have been stepped up recently in connection with the possible coordination of the operations of their independent strategic nuclear forces.

New forms of cooperation are also being developed simultaneously with this within the framework of the bloc's military organization itself. Thus, for example, the Benelux countries intend creating a joint subunit which is to be attached to the NATO command in Central Europe.

Thus the extension of military integration in West Europe is occurring in two planes, as it were: within the framework of the NATO military organization and outside of it. It is intensifying in both the military-economic and military-political spheres and in the sphere of organizational development of the armed forces. Considering the composition of the countries (both members of the bloc's military organization and those which are not members of it) and also the unfolding common target function to which these processes are subordinate, it is perfectly obvious that an interweaving of at first sight seemingly parallel lines of regional military development is under way also. It would seem in this connection that at the present time we are witnessing phenomena in which quite flexible and diverse manifold use is being made of the most diverse forms of cooperation. It is essentially merely a question of choice of the most

suitable of them, with the aid of which account may be taken of the specific interests of this country or the other within the framework of the general trend.

We would emphasize that although West European military integration is a reflection of the objective processes developing within the region itself and that no alternative to it—as to integration as a whole—is in sight, the rate and possible consequences of its intensification and expansion will largely depend on relations in the United States-West Europe-USSR “triangle”.

Specifically, a factor influencing military integration is the fact that the United States is to a considerable extent reconsidering the role of the West European region in its global policy. The abrupt stimulation of U.S. activity pertaining to the formation of aggregate military power is also a reflection of essential changes in military-strategic priorities.¹⁰ Connected with this is the growing—together with recognition of the strategic importance of West Europe in realization of the general concept of global opposition to the Soviet Union and the socialist community countries—U.S. attention to regions outside of NATO. As a result the West European NATO region has come to be assigned a new, more independent role. As already mentioned, this applies not only (and in the future, possibly, not so much) to opposition to the Warsaw Pact countries in Europe but also to the exercise of possible power actions in areas of European “vital interests” directly adjoining the continent (North Africa, the Near East the Persian Gulf region) and also to the securing of strong positions of countries of the region in other parts of the world. In turn, the United States is assuming global military-strategic functions, pertaining to the formation of elements of aggregate military power in other parts of the world included. U.S. pressure on West European countries to increase their contribution to NATO's military preparations is being exerted mainly in the direction of a buildup of the fighting capacity of their “conventional” armed forces which is essentially to cater for the availability of the potential for independent opposition to the corresponding forces of the Warsaw Pact countries. H. Kissinger wrote in an article in *TIME* magazine entitled “Plan for the Restructuring of NATO”: “By 1990 Europe must have assumed the basic responsibility for ground-based nonnuclear defense. This is perfectly within the capabilities of a group of countries with a population almost 1.5 times greater than that of the USSR and with a GNP which is almost twice as large.”

Recently the pronouncements of a number of American official spokesmen have pursued increasingly often the idea that the significance of Europe as the basic and principal sphere of its strategic interests has for the United States been diminishing as a consequence, specifically, of its reduced role as an economic partner also. In particular, the United States' commodity turnover with countries of the Pacific region is one-third greater than the commodity exchange with West Europe.¹¹ According to a statement by L. Eagleburger, former U.S.

assistant secretary of state, “the United States' economic interests are turning increasingly away from Europe toward the more dynamically developing economies of the Pacific. Relations dictated by objective economic interests, which earlier contributed to the unity of NATO, may not be so strong in the future.”¹²

Thus under the new conditions West Europe, as the United States' ally, is in U.S. military-strategic concepts assigned an important, but not “exclusive,” as earlier, place. From the main and, once, essential sole partner of the United States in the global opposition to the socialist countries the states of the West European region of the NATO bloc are becoming merely an element of the aggregate military power of imperialism which is taking shape and whose assignments and functions are far broader than traditional bloc functions and are a reaction to the “erosion” of the bipolar world.

For this reason the present scale of the American military presence in West Europe and the “diversion” of resources connected with this are being seen increasingly in the United States as not corresponding to the current notion of its political and economic interests. It is emphasized here that the current political and military stability in Europe at the present time suits all parties and could not be altered without the danger of a large-scale military conflict being provoked. It is this which to a considerable extent explains the fact that the United States has begun to display an interest in the continued intensification of military integration in West Europe as a necessary condition for shifting onto its allies greater “responsibility” for regional defense. The United States would hereby release resources for operations in other parts of the world in accordance with its present notions concerning zones of interests (at the present time more than 50 percent of American military spending is directly connected with European defense¹³).

It has to be noted that the conclusion of the Soviet-American INF agreement led to a sharp intensification of “Eurocentrist trends,” a rapid growth in sentiments in favor of greater self-reliance and formulation of the principles of a common defense concept. However, the aspiration of West European countries toward greater military independence by no means signifies that they intend in the foreseeable future to take the path of liquidation of their strategic alliance with the United States. It is a question, in our view, merely of West European countries' search for their own place in this alliance corresponding to their regional interests and possibilities whereby, it would seem, conditions could emerge for a gradual lessening of the proportion of the military component in the overall system of transatlantic relations.

A certain transformation of NATO itself is inevitable in this connection. The process of military integration in West Europe accompanied by, as it is customary to call it in the West, the “Europeanization” of the bloc and the gradual reduction of its functions to the accomplishment

of tasks chiefly of "regional strategy" is leading to the more equal partner relations of the United States and the West European "power center". Of course, in speaking of "regional strategy" we mean a quite broad interpretation of tasks determined by zones of actual regional interests. It should for this reason be emphasized that the regional military policy which is taking shape is associated not only with relations along East-West lines (although it is they which are determining at the present time) but also to a considerable extent with other aspects of West European interests, whose significance could in the future increase appreciably.

In evaluating the likely consequences of West European military integration and its significance for international security the following needs to be borne in mind: by virtue of the economic, political and social realities of West Europe and also with regard for the extraordinarily high degree of economic assimilation of the territory, density of the population and so forth and the disastrous consequences associated with this of any military conflict (even without the use of nuclear weapons) and the continuing specific national interests, it is obvious that consensus in the military sphere may be achieved by the countries of the region only on a defensive basis. Of course, this proposition is valid only on the important condition that primarily the interests of the West European countries themselves are taken into consideration at the time of formulation of this "regional strategy".

The present political course of the USSR aimed at a lowering of the level of military confrontation and realization in practice of the defensive nature of Soviet military doctrine affords propitious conditions for a slowing of the process of militarization of the West European countries and the alignment of their defense efforts with the criteria of "reasonable sufficiency". The new proposals of the Warsaw Pact states concerning negotiations on a reduction in armed forces and conventional arms in Europe could, specifically, be of great significance.

Under current conditions the nature of interregional military-economic relations in NATO is being modified and will be modified to a large extent under the impact of its integrated West European grouping and correspond to an ever increasing extent to the interests of the latter (which is by no means contrary to the interests of the United States). Such relations are even now enjoying the greatest development in the sphere of creation of new weapons systems in respect of regional conditions and concepts of their use. However, further progress at the negotiations, on conventional arms particularly, could make appreciable adjustments to this activity.

At the same time, considering the latest integration trends, particularly in the military-political sphere, the relative significance of West European relations themselves should, to judge by everything, grow considerably,

and the nature thereof intensify in the direction of the building of a ramified military structure with precise forms and most "strictly" subordinate to regional interests.

Owing to the objective nature of West European military integration, the basic trends, which are already being manifested quite distinctly in regional military development, will evidently continue for the foreseeable future also. However, this by no means signifies an "automatic" increase in West European countries' military potential. The impact of integration on this process will depend on various internal and, chiefly, external factors, which were examined above. Of course, we also have to see the attempts to use the growing joint possibilities of the West European NATO countries for the creation of new types of conventional arms, which, it is maintained, is caused by the need to counter the "huge preponderance" of the Warsaw Pact forces over NATO in Europe. However, in the event of the successful development of the negotiations, such reasoning would be simply pointless.

In addition, even now many authoritative specialists in the West are arguing and talking openly about the fact that the dimensions of the "threat" to NATO are greatly exaggerated. A report by Sen C. Levin, chairman of the U.S. Senate Armed Services Committee Subcommittee on Conventional Armed Forces and Alliance Defense, devoted to an assessment of the correlation of forces in Europe, in particular, testifies to this.¹⁴

The development of West European military integration will be stimulated not only by problems in East-West relations, the uncertainty of the prospects of the American military presence in Europe and also possible complications in relations along North-South lines. With regard for the West European countries' great dependence on sources of raw material and West Europe's direct contiguity with areas of potential tension the bottom line for a reduction in military efforts in the region may be determined by these circumstances to a large extent. Military integration under these conditions will be an increasingly important instrument providing for a substantial (relative, at least) reduction in the contents of the military programs of each individual state based on optimization of the use of aggregate resources.

In fact a driving idea of military integration is the creation of conditions for the more or less independent accomplishment of regional tasks. And this, in turn, is an essential prerequisite for the possibility of movement away from problems of global confrontation which are not inherent in the region. Integration is hereby an instrument serving the transition of West European countries to a different scale of military preparations. This, given the propitious development of international relations, will afford an opportunity for not only relative but also absolute reductions therein.

The current situation is opening the way also to realization of perfectly definite possibilities of a lowering of the level of military confrontation in Europe and the building of a "European home" based on the principles of the new political thinking. Objective conditions are being created for a diminution in the overall scale of military preparations of the West European NATO members, given the continued intensification of their military interaction. Such a development of events would lead to a growth of the significance of the political constituent in relations between NATO and the Warsaw Pact and the USSR and West European countries, given a diminishing role of the military power factor. Under these conditions both the interregional military-economic relations of NATO and the processes of military integration of the West European countries could be modified significantly and acquire new features reflecting the positive changes in East-West relations.

The integration processes in the military sphere in West Europe are on the one hand a reflection of the objective conditions taking shape in this region with regard for the sum total of political, economic and military factors. On the other, they are connected also, in our view, with the broader process of internationalization of states' military activity, which, albeit belatedly, is becoming just as much a reality as in all other spheres of activity. There arises the natural question: is this a good thing or a danger? Unfortunately, it is hardly possible now to give an unequivocal answer. If there is no further positive development in East-West relations, this phenomenon, as mentioned above, could essentially be the catalyst of an arms race, given the qualitative increase in and enhanced efficiency of military preparations. Military-political instability at the global and regional levels would increase here, which, of course, would preclude for many countries, the USSR included, the possibility of emergence from an encircling arms race. If the change in the atmosphere in the world continues to be rather of a positive nature, such internationalization will be a positive phenomenon. It will contribute to the formulation of common approaches to security problems, the emergence of new opportunities for limiting the use of military power, the creation of a mechanism of international safeguards and the increased interdependence of various countries and their associations in the military sphere.

Footnotes

1. See D. Proektor, "World Wars and the Fate of Mankind," Moscow, 1986, pp 223-227.
2. See, for example, "West European Integration: Political Aspects," Moscow, 1985, p 16.
3. Not only military but also long-term economic and political interests are implied by "strategic" here.

4. It is indicative in this connection that together with an appreciable reduction in the list of fully assembled arms there is a growing proportion in interregional relations of joint-labor deals at unit and component level and also joint programs beginning in the R&D phase.

5. INTERAVIA AIR LETTER, 29 April 1986, p 8.

6. DEFENCE, May 1987, p 234.

7. JANE'S DEFENCE WEEKLY, 11 April 1987, p 660.

* With the entry of Spain and Portugal into the Western European Union at the end of 1988 the alliance now numbers nine countries.

8. JANE'S DEFENCE WEEKLY, 19 December 1987, p 1405.

9. INTERAVIA AIR LETTER, 23 January 1987, p 3; 13 April 1987, p 5.

10. See "Military-Economic Relations of the NATO Countries: Aims, Scale and Forms of Realization," Moscow, 1988, pp 211-236.

11. "Statistical Abstract of the US, 1987," Washington, D.C., 1986, pp 792-793.

12. NATO'S SIXTEEN NATIONS, June-July 1985, p 21.

13. Ibid., p 16.

14. "Beyond the Bean Count, Realistically Assessing the Conventional Military Balance in Europe". Senate Armed Services Subcommittee on Conventional Forces and Alliance Defense, January 20, 1988 (See MEMO No 5, 1988, pp 103-104).

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Japan Defended Against Charge of Being 'Militarist'

18160007) Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 2, Feb 89 pp 116-130

[Article by Georgiy Fridrikhovich Kunadze, candidate of historical sciences, head of a department of the USSR Academy of Sciences (MEMO: "Militarism in Japan: Questions of the Procedure of Analysis")]

[Text]

A most notable feature of the latter half of the 20th century has been the rapid development of Japan, which has moved up among the undisputed economic and S&T leaders and has been able to turn into planes virtually the

obvious minutes of its political, economic and geostrategic situation. The surging recovery of a state reduced to ashes has put on the agenda all-around study of its experience and an impartial reconsideration of a number of assessments made at different stages by Japan specialists of many countries.

At the end of the 1960's Japan's successes gave rise in the West to the proposition concerning some "Japanese miracle," which to some extent presupposed the primordial inscrutability and uniqueness of the object of study. The reaction of Soviet Japan studies to such, in a certain sense, mystical approach was an endeavor to show the applicability to Japan of the customary criteria of an analysis of capitalism. Unfortunately, however, this natural and justified endeavor proved to be fraught also with costs in the form of the inertial nature of certain evaluations and conclusions, which was intensified, moreover, by a considerable "politicization" of Japan studies as a field of the social sciences.

New evaluations of many of Japan's problems such as, for example, the nature and significance of the postwar reforms, the phenomenon of the rapid economic growth, the singularities of the social consciousness and the dynamics of domestic policy are even today blazing a trail for themselves with considerable difficulty. Problems of military policy, which throughout the postwar period have, for the most part, been studied and interpreted in our country from the angle of a revival of national militarism, have fared worst. It would be no exaggeration to say that a school of exposure of present-day Japanese militarism enjoying an unconditional monopoly took shape in Soviet Japan studies in the 1960's-1970's. Its representatives regularly put out special studies, the number of which is appreciably in excess of all that has been written, for example, about the militarism of the United States' West European NATO allies.

In the 20-plus years since certain new arguments have come into use, but the conclusions have remained as before: Japanese militarism is raising its head and being revived increasingly rapidly. Such constancy of conclusions in itself causes a certain perplexity. In fact, had they been right just two decades ago, Japan today with its enormous economic and S&T possibilities should have become one of the most militarized states of the world. But it has not, and today we speak merely of amilitarization process which is gaining momentum.

Together with perplexity, familiarization with the works of representatives of the said school leaves also a sense of dissatisfaction primarily owing to the simplistic nature of the criteria and the virtual absence of a conceptual apparatus, which renders the argument concerning contemporary Japanese militarism largely abstract. Yet study of militarism as a comprehensive socioeconomic and ideological-political problem is extraordinarily pertinent not only in respect of Japan. Too much is at stake in the modern world for charges of militarism to be given

out with the airiness which is now customary or, on the contrary, for them to be indiscriminately swept aside as contrived and not serious. It is important to investigate what is behind these charges, what logic they reflect and, finally, to what extent our theoretical notions concerning militarism are adequate to objective reality.

I

A stable system of indications (particular features) of militarism, the superimposition of which upon the factual material of a specific country was, the idea was, to have led to a conclusion concerning the presence or absence of this phenomenon, took shape in Soviet political science in the postwar period. Let us attempt to show this with reference to Japan.

Transference of the political and geographical center of the development of militarism from Europe to the United States, which has assumed the role of world gendarme and lays claim to world domination.¹ Given a narrow interpretation of this proposition, it should obviously be affirmed that, as an indication of militarism, it applies only to the United States. In practice, however, Soviet works have adopted its broad interpretation, in accordance with which all America's allies, including, of course, Japan also, automatically come in for analogous charges. In any event, all that Japan does within the framework of the alliance with the United States is seen by us as a revival of Japanese militarism. The Japanese-American alliance is complex and multilevel, which makes absolutization of its military aspect not all that justified. When, however, this accent emerges, the palette of colors of the portrayal of Japanese militarism is at once abruptly "enriched," and virtually all of Japan's actions come to be attributed to it.

Evaluating the soundness of this indication, it may be noted that it does not entirely fit within the concept of militarism as a national category. Meanwhile both in the past and increasingly in our day Japan's ruling circles have seen alliance with the United States as an alternative to the creation of their own powerful military potential (whether this is the sole alternative is another matter).

It is noticeable also that the indiscriminate use of this indication adds little to the characterization of a specific country. Was there reason in our country, say, to speak of the militarism of New Zealand when it was a member of the ANZUS bloc, and if so, should now, following its virtual withdrawal therefrom, the question of the disappearance of New Zealand militarism be posed?

Militarization of the economy, science and various aspects of social and political life. Application of this indication of militarism to Japan takes some doing, it would seem, primarily owing to the negligibly small proportion of the military sectors in overall industrial production (approximately 0.4-0.5 percent). But in practice everything sometimes proves easy and simple: Japan's tremendous

industrial potential is identified with military-economic potential. The absurd logic of this approach was clearly shown in V. Rosin's article.²

"Military-industrial systems, among which the main positions are occupied by the Mitsubishi finance-monopoly group with its Mitsubishi (dzyukoge) and Mitsubishi Electric military-industrial companies, are taking shape in Japan," we read in a domestic work.³ The Mitsubishi group really is the principal supplier of Japan's National Defense Agency (NDA), and the said two companies account for 30 to 40 percent of the value of all military contracts. At the same time one notices that the share of the two companies of the Mitsubishi group, of unprecedented dimensions, testifies to the slight involvement in military production of the other finance-monopoly groups. Three of the NDA's 10 biggest suppliers in individual years had no military contracts at all (including Sumitomo [dzyukoge] in the 1981 and 1983 fiscal years and Hitachi Zosen in the 1982 and 1983 fiscal years).⁴ In other words, there are evidently no grounds for speaking of the permanent large-scale involvement in arms production of even the NDA's leading suppliers.

As far as the Mitsubishi group itself is concerned, there are strong doubts as to the legitimacy of its categorization as "military-industrial". Military supplies occupy a negligible place in the sum total of the group's sales. Even in Mitsubishi (dzyukoge) they did not for a long time exceed 10 percent and reached their record level of 17 percent in the 1982 fiscal year.⁵ However, in the 1983 fiscal year the proportion of military production in this company declined by almost one-third and has subsequently been at a very low level.

It is difficult to speak of the militarization of the economy, as it is, incidentally, of the militarization of science. The center of military R&D is the NDA Technical Research and Development Institute, where many types of Japanese arms have been built. It is clear, however, that the limited demand for combat equipment within the country and the actual ban on exports thereof are objectively lessening the need for military research, by the efforts of private companies included, and it is no accident that in terms of absolute amounts of spending on military R&D Japan is approximately 100 times inferior to the United States and 10 times inferior to Britain and France.⁶

That there is a pronounced growth in Japan, as in other developed countries also, in the proportion of R&D in the spheres of so-called dual-capable technology is another matter. It may hardly, however, be maintained that this process has been brought about solely by military requirements. It is rather a reflection of the general trends of the development of science and their utilization by the military sphere.

The historically unprecedented arms race and the growth in military spending associated therewith. This indication has enjoyed particular attention in the past decade among those studying Japanese militarism. As is known, in the fall of 1976 the T. Miki cabinet adopted the decision to limit military spending to 1 percent of GNP. It is hard to say what was the greater in this decision—faith in the country's capacity even after the energy crisis to maintain a high rate of economic growth and the perception of questions of defense and military policy as a whole as something secondary or, on the other hand, an endeavor to make a favorable impression on world and Japanese public opinion. Whatever the case, the true significance of the imposition of a ceiling on military spending did not attract particular attention. The difficulties of complying with it, on the other hand, which came to light quite quickly, were evaluated once for all as a manifestation of Japan's militarist endeavors. And this despite the fact that up to the mid-1960's its military spending had constantly exceeded 1 percent of GNP.

Meanwhile the military spending ceiling was doomed from the very outset to disappear for several fundamental reasons. Primarily on account of the reduction in the rate of economic growth which typified Japan as of the latter half of the 1970's. The rapid increase in the price of combat equipment played its part also. In 1965 the price of an F-104 fighter amounted to 500 million yen, the F-4, which replaced it in 1977, cost 3.1 billion yen, and the latest F-15, commissioned in 1985, some 10.7 billion yen. The price of the P2F antisubmarine aircraft in 1976 was 2.3 billion yen, but in 1985 the new RZS aircraft of the same purpose cost 11.4 billion yen. Japan is not yet an initiator of an arms race: up to 80 percent of the combat equipment of the "Self-Defense Force" is purchased overseas or manufactured on foreign license. It is hardly to be expected that it would consent to the purchase of obviously obsolete weapons or a reduction in the number of units it purchased in the name of compliance with abstract self-limitations.

Finally, it is important to note the independent dynamics of spending on the personnel of the "Self-Defense Force". This item of expenditure constitutes in the 1980's barely less than half of total military appropriations and frequently (more precisely, every second year) grows at a preferential rate. The reasons are understandable: the annual wage raises for civil servants and price rises. In the 1987 fiscal year spending on the personnel amounted to 43.9 percent of the military budget, and on arms, 27.5 percent.

As a whole, the mechanism of formation of the military budget for one fiscal year is only controllable to a very slight extent inasmuch as almost the entire sum of the increase therein pertains to entitlements. These include, besides the spending on the personnel, payments pertaining to contracts of past years (since the term of fulfillment of a military contract is from 2 to 5 years). In the 1986 fiscal year entitlements accounted for approximately 93 percent of the increase in the military budget.

in the 1987 fiscal year, to 75 percent.⁷ For this reason the fact of a rise in the 1987 fiscal year in the ritual ceiling by 0.004 percent hardly, despite the enormous political repercussions which it had inside and outside of Japan, testifies to some dramatic changes in its military policy.

Creation of a network of aggressive military blocs and expansion of their geography. A certain arbitrariness is observed in the application of this indication to Japan. If its adherence to the "Security Treaty" with the United States figures under the first indication of militarism, there are practically no further arguments on this score. Even then there arise far-fetched stories concerning the military alliance of Japan and South Korea which is taking shape, the so-called Pacific Economic Community as a counterpart not even of the EC but of NATO and so forth.

The huge growth of imperialist armies, intelligence and various militarist organizations. Accusing Japan of militarism in accordance with this indication would seem difficult inasmuch as there has been practically no increase in the numbers of the "Self-Defense Force" in the past 30 years, it constituting 246,000 men. We would point for comparison to the numbers of the armed forces of some other Asian countries and territories: South Korea, 629,000 men, Pakistan, 480,000, Indonesia, 284,000, Thailand, 256,000, the Philippines, 105,000, and Malaysia, 113,000.

The adduced figures speak for themselves, but even then the argument concerning the unprecedentedly high proportion of officers in the "Self-Defense Force" is employed. A work of the end of the 1960's adduces Japanese figures according to which there are four soldiers per officer of the "Self-Defense Force"—127,500 soldiers and 32,400 officers (true, the author of this work himself makes an error in division in a paragraph further on and obtains a result of 2-3 soldiers per officer). There then follows a "telling" comparison of the "Self-Defense Force" and the Reichswehr of Nazi Germany on the eve of WWII, in which there were a whole 11 soldiers per officer. A demobilized army of the end of the 1930's is hereby compared with a peacetime army of the end of the 1960's.⁸

In works of the 1980's, however, it altogether becomes a matter of amusement. Thus one such points out that "officers constitute 70 percent of Japan's armed forces, and candidates for various command positions, the remaining 30 percent."⁹ The purpose of such computations is obvious: to show that Japan is capable of very quickly deploying a giant army, although it is hard to understand how it could do this with a trained reserve of 44,900 men. We would point out for comparison that the numbers of trained reservists constitute 500,000 in Thailand, 170,000 in Singapore, 625,000 in Switzerland, 175,000 in the Netherlands and 75,000 in Denmark.

The description of the "Self-Defense Force's" airborne forces has an interesting history. In 1958 it was maintained that "large formations of paratroops are being created."¹⁰ A work of 1968 observed that "plans for the creation of airborne units are afoot, and there is an airborne brigade even now."¹¹ Finally, a 1982 publication simply affirms: "It is more than 10 years now since the airborne brigade was formed."¹²

Persistent coalescence of the military top brass and the machinery of the major monopolies and the legislative and executive authorities of imperialist states. As distinct from the others, this indication of militarism is, seemingly, appropriate for Japan: upon retirement, many of the "Self-Defense Force's" top officers go to work for private companies. The practice of attracting retired military personnel in companies of the Mitsubishi group is particularly widespread. Albeit in a very negligible proportion, former military officers are represented in the legislative authorities. Elements of "coalescence" do formally exist.

It should, however, be noted that the move of top-ranking civil servants to the private-enterprise sector is typical of Japan generally and encompasses all ministries and departments. This process, which even has a special name in Japanese (amakudari), is basically directly proportionate to the role of specific institutions in the machinery of state. Accordingly, retired military officers account for far fewer positions in private companies than do, say, people coming from the Ministry of Finance or Ministry of International Trade and Industry. So it may be a question not so much of the "persistent" as "loose" coalescence of the military top brass and the monopolies.

It is also significant that practically no reciprocal movement, that is, the move of representatives of business to jobs in the machinery of state, can be observed. Military business is no exception here either.

It is no less important that the "coalescence of the military top brass and the major corporations" hardly exerts a determining influence on military production and Japan's military policy as a whole. It is sufficient to recall that the "flagship" of Japan's military production, Mitsubishi (dzyukoge), having invested considerable resources in the development of a prototype of a new-generation fighter and having built it by the start of 1986, was unable to get its brainchild taken into series production. And this despite the fact that, according to specialists' comments, the fighter which has been built is superior in its specifications to foreign counterparts.¹³

Extensive preparations for world nuclear war and the waging of counterrevolutionary local wars; use of armed force against the revolutionary protests of the working people of capitalist countries and the national liberation movement. Both indications are inapplicable to Japan, and there is virtually no mention of them in Soviet works. Accusations against Japan of violation of its

"three nonnuclear principles" (not to produce, have and import nuclear weapons) on the grounds that there could be such weapons at the American military bases and on ships in Japanese ports have appeared in recent years, it is true.

Indeed, if U.S. policy is neither to confirm nor deny the presence of nuclear weapons, there are no guarantees of the absence thereof in Japan. Charges against the Japanese Government of a violation of the nonnuclear principles are thus unfounded. That, of course, the interpretation of the unilaterally adopted principles of policy is the prerogative only of the Japanese themselves is another matter. Tacit consent to the storage of foreign nuclear weapons could be seen as aiding and abetting the United States, but hardly unequivocally testifies to a growth of Japanese militarism. The motives of this consent are far more complex and encompass the whole set of Japan's allied relations with the United States and are, correspondingly, conditioned by considerations of various categories far from always associated with military policy.

An orgy of militarist propaganda, "psychological warfare" against socialism and communism, defense of counterrevolutionary violence and arbitrariness in international relations. A whole collection of anticommunist sentiments is, perhaps, present in the Japanese social consciousness, which is largely a direct result of the propaganda line of the country's ruling circles. Propaganda of militarism and defense of violence are a different matter. "Orgy" is a relative concept, and arguing whether it exists or not is, therefore, pointless.

Diverse militarist organizations operate in Japan which are not so much numerous as shrill and for this reason noticeable. Their declarations and publications should be categorized as propaganda of militarism. We could point also to the fear being implanted, not without the participation of the government, in the face of the notorious "Soviet threat". Nonetheless, it is obvious that ideas of war and violence are not universally prevalent. In one way or another militarist hysteria like that which gripped the United States following the seizure of Grenada or Great Britain at the time of the Falklands war could hardly arise in Japanese soil.

As it is not difficult to observe, Japanese reality has little in keeping with the outline of general indications of militarism which we have examined. Nor are the specific indications of a revival of Japanese militarism, the main one of which is "its concealed, camouflaged nature," convincing. This is a convenient indication for, truly, the less noticeable Japanese militarism, the more dangerous it is. Another method of the same kind is patching Japan's militarist past onto its present. "In a country with such rooted militarist traditions it is not that difficult... reviving militarism... and military adventurism," we read in one work.¹⁴

Let us not, however, accuse the authors we have quoted of tendentiousness. It is ultimately a question not of they themselves but of the one-sidedness and primitivism of the accepted procedure of study of militarism peremptorily dictating to the researcher preset conclusions.

II

It is perfectly understandable that a serious discussion of militarism should begin with a definition of this concept. The most general definition is provided by the "Large Soviet Encyclopedia," where it is seen as "the buildup of the military might of an exploiter state for the purpose of implementing a policy of aggressive wars and suppressing the resistance of the working masses within the country."¹⁵ Militarism is defined somewhat more fully by the "Soviet Military Encyclopedia" as a "system of political, economic and ideological means used by the exploiter classes in the interests of an increase in military power for the achievement of the fundamental goals of their reactionary domestic and aggressive foreign policy."¹⁶ Soviet political science contains no other definitions of militarism.

As it is not hard to see, we are essentially dealing with one and the same definition. It is based on two a priori accepted premises. The first is that militarism is possible only in a state with antagonistic classes. Where there are no such classes, on the other hand, nor is there militarism.¹⁷ The second amounts to the fact that the goals of the domestic policy of exploiter classes are obviously reactionary, and of foreign policy, inevitably aggressive. If both premises are invariable, it transpires that the definition quoted identifies with militarism any increase in military potential effected by exploiter classes and their state.

The possibility of the existence in a state with antagonistic classes of objective defense interests is hereby a fortiori denied. Such categories as balance of forces and military balance also become meaningless together with this. In respect of the modern world this is essentially tantamount to the conclusion that where there is capitalism, there is militarism also. The fundamental question put by M.S. Gorbachev: "Is capitalism capable of freeing itself from militarism, can it function economically and develop without it?"¹⁸ thereby proves to be entirely superfluous inasmuch as the answer is known in advance: no, it cannot.

As a result a procedure of examination of the problem directly opposite to commonsense and scientific soundness arises—not "analysis-conclusion" but "conclusion-proof". Consequently, it is possible, if necessary, to accuse of militarist preparations any capitalist state: Sweden, Switzerland, Japan and so forth. What is most important is the question of the political and propaganda expediency of the exposure of militarism in each individual instance. Frequently, therefore, the charge of militarism reflects primarily the attitude toward a specific country.

Total arbitrariness in ascertainment of the very fact of an increase in military might ensues from such an approach. It increases relative to the military potential of the same country in the past or relative to the possibilities of other states. Logic prompts the second version to be taken as the criterion, but the need to substantiate a given conclusion unequivocally inclines toward the first. Even then, in the case of Japan, for example, there arises a comparison of the firepower of its "Self-Defense Force" and the army with which it entered WWII. This comparison is akin to a comparison of the economic power of the USSR and tsarist Russia in 1913, whereby, ignoring the factor of the natural development of society's productive forces, we unfailingly obtain the desired result.

On the other hand, what if the military power of a capitalist state is declining? In some cases it could obviously be a question of an absolute reduction in military spending, but more often of a reduction in the relative significance of military power in a state's aggregate potential owing to the objectively more rapid development of other of its constituents: economic, S&T, political. Can it be said in this case that the state has ceased to be militarist? I believe that if it is considered that militarism is an increase in military power, it can and should be said. In actual fact, however, no, inasmuch as the premise is incorrect. The availability to a state of certain possibilities (potential) by no means signifies that it will necessarily realize them and embody them in policy. A buildup of military potential may thereby in no way be identified with militarism any more than a reduction in this potential with the disappearance of militarism.

In a word, the adduced definitions of militarism are manifestly invalid and need, in our view, not only adjustment but elaboration from scratch. The principal demand which has to be made of the new definition should obviously be its discrimination. This, in turn, means that the object of analysis will be not so much the outward indications of militarism as a state's policy goals.

The proposition that military seizures and the suppression by force of one's own people always correspond under all conditions to the policy goals of the capitalist state may hardly be regarded as satisfactory at the current stage of the development of capitalism. In fact, direct violence corresponds to the interests of the exploiter classes only under extreme conditions, when all other less radical and, as a rule, less burdensome means of having one's way (and the set of such means has increased immeasurably) are exhausted.

For this reason the question of the use of violence in the international arena is essentially one of a state's capacity for defending its vital interests without resorting to it. Much, of course, depends on how and in what volume a specific state defines the interests which have to be defended at any price. For example, the American practice of extending its vital interests to enormous areas of

the world manifestly presupposes the use of military force inasmuch as even the United States is not in a position to secure itself against a geopolitical threat born, for example, of the emergence of an "unfriendly regime".

Vital domestic policy interests are identified by all states with internal stability. Having encountered a serious threat to its internal stability, any state will consent to the use of force. Accordingly, the question of the use of force within a country is one of the stability of the state and the steadfastness of its socioeconomic and political foundations.

The author of this article has no ready-made definition of militarism. However, there are doubts as to the possibility of providing a general definition of militarism as an integral phenomenon. It should rather be a question of external and domestic functions in a state's policy, some of which could be called militarist. Which?

In foreign policy, obviously, a readiness to use the armed forces for purposes which are not purely defensive and primarily in response to a geopolitical threat to one's interests. In other words, the external function of militarism is present in a state's policy if its recognized interests and goals formulated on this basis presuppose the initiatory use of military force. As it is not hard to see, the external function of militarism is the direct opposite of a policy based on the principle of defensive sufficiency. As far as the domestic function of militarism is concerned, it may be formulated as a state's constant reliance on military force to maintain its internal stability.

Two observations need to be made here. First, if we are interpreting militarism as a function of a state's policy, consequently, merely the presence in society of the exponents of militarist ideology with the statization of their views cannot be identified with militarism as such. Second, not any state allowing in its policy of the use of force may be called militarist but merely that for which militarist functions play a principal part, subordinating to themselves all else. The most striking and typical examples of militarist states were Germany and Japan of the 1930's-1940's. Counterparts thereto among the developed states today cannot be seen.

III

In our day the domestic and external functions of militarism are by no means necessarily condemned to coexistence. This conclusion would seem important inasmuch as it brings us directly to a classification of types of militarism.

The domestic function of militarism is inseparable from the political role of the armed forces in domestic policy

and reflects the degree of socioeconomic and political stability of the state. Obviously, not every application, therefore, of the armed forces within a state may be categorized as a manifestation of the domestic function of militarism. The participation of the armed forces in the elimination of the consequences of natural disasters and struggle against smuggled narcotics and ultraleft and ultraright extremism, say, cannot be attributed to it.

We mean by the domestic function of militarism the use or threatened use of the armed forces to avert a coup d'état and to accomplish such and also to put down opposition protests.¹⁹ In this sense the regimes of Pinochet in Chile, Stroessner in Paraguay and Chun Doo Hwan in South Korea may be termed classical examples of domestic militarism. Granted all the differences, the said regimes have an important common feature: they are maintained or were maintained by force of arms.

The political role of the armed forces emerges when the ruling class has no guarantees of power other than military guarantees and gradually disappears as these alternative socioeconomic and political guarantees take shape. This means, evidently, that, given objective guarantees of stability in the country, the domestic function of militarism essentially becomes superfluous and ceases to correspond to the interests of the ruling class.

It hardly needs to be proven that developed capitalist countries are very far away from a revolutionary situation. The dialectic is such that, as G. Diligenskiy rightly observes, "the exacerbation of the contradictions of capitalism... is leading to the accumulation of social protest potential, but the direct growth of this protest into socialist revolution is becoming increasingly less likely."²⁰ Proceeding from what has been said, we may affirm the reduction in the domestic functions of militarism in developed capitalist countries to a negligible scale making it possible in the majority of cases to speak of their practical disappearance. Certain exceptions to this rule such as, say, Great Britain's use of the armed forces in Northern Ireland reflect not so much domestic sociopolitical realities as continued vestiges of the colonial past and should be attributed rather to the external functions of militarism.

Thus the domestic function of militarism is an inalienable attribute merely of a particular type of the development of capitalism, and this stage has already been passed by the United States, the industrial West European countries and Japan. On the other hand, it is a reality to a greater or lesser extent for the absolute majority of countries with a middle and feeble development of capitalism. It is a question not only and not so much of the economic level as of the social and class structure, social consciousness, numerous vestiges of the past in political life and, finally, of specific components of the instability of their international position.

IV

Compared with the domestic functions of militarism, the external functions are far more multilevel and, consequently, more difficult to understand. It is expedient to examine them in individual blocks.

Over 40 years have elapsed since the end of WWII, which was largely a turning point in the development of inter-imperialist contradictions. While having preserved and in some respects multiplied their seriousness, these contradictions have at the same time essentially lost their military function. In other words, the probability of the military confrontation of imperialist states between themselves is negligible and, most likely, is absent altogether. This transformation is explained by many factors. The main ones are the nature of the relations between the world systems of socialism and capitalism, the undisputed military-political and economic predominance of the United States in the capitalist world, the transition from colonialism to neocolonialism, the development of asymmetrical interdependence between North and South and the internationalization of the capitalist countries' economic life.

Following WWII two powers representing the different social systems—the USSR and the United States—pulled far away from the rest of the world in the military sphere. This fact is a powerful integrator of the capitalist camp. In practice it has led to the serious and, at times, insoluble economic contradictions between individual capitalist countries not eroding their common strategic interests to a level fraught with the danger of war. The nature of the contradictions within capitalism has undoubtedly changed also. It has assumed a transnational, ex-territorial nature, whereby military confrontation between imperialist countries or groups of countries is no longer in anyone's national interests.

Among the postwar features of capitalism mention should also be made of the gradual disappearance of such a classical motive for war as the struggle for a recarving of the world. Colonialism with its methods of military-political subordination of the weak is irretrievably a thing of the past. The objective basis for the colonial wars of the past is thereby disappearing or has already disappeared also.

It is perfectly natural that almost all the comparatively few postwar conflicts between imperialist and developing countries pertained to the first half of this period and ended identically—with the total defeat of the imperialist powers. Of course, rudimentary military functions derived from their colonial past are preserved in the foreign policy of a number of Western countries. Great Britain's actions in the conflict with Argentina on the Falklands and the French expeditionary force in Chad may be attributed to manifestations of such functions. These functions are of a secondary nature, however.

The main prerequisite of the external function of the militarism of developed capitalist states is struggle against world socialism. Two rounds of qualitative

changes have occurred here, incidentally, which have as yet not been reflected in the least in our evaluations of militarism. The ideas concerning it in the context of the confrontation of the two world social systems have been distinguished by the height of dogmatism and have, naturally, lagged particularly behind reality. They have amounted, strictly speaking, to an interpretation of the ideological and political opposition of socialism and capitalism almost exclusively in military-strategic categories, whence it has followed that direct military aggression against the USSR corresponds to the fundamental national interests of any imperialist state. Such an approach is an obvious legacy of the prewar views on the world and the place of militarist preparations in imperialism's anti-Soviet plans. Under the new postwar conditions it is becoming an even more obvious anachronism.

The first round of changes began immediately after the war and ended at the frontier of the 1960's-1970's. Politically this period accommodated both the "cold war" and attempts to take intersystem relations to a different, more stable level. The common military-political denominator, however, was the quantitative and qualitative escalation of the military opposition of the USSR and the United States, given the continued invariable strategic preponderance of the latter.

Within the framework of this confrontation the West European countries and Japan played, and very readily, what is more, the part of extras. in other words, Washington's undisputed military-political leadership enabled them to rid themselves of the burdensome load of large-scale military preparations. This last circumstance is more frequently mentioned in respect of Japan, which even merited the sobriquet of "nonpaying passenger". Ultimately, however, all the developed capitalist countries were, following WWII, nonpaying passengers to a greater or lesser extent on the train of American militarism.

It was no accident, therefore, that the rate and quality of economic growth in certain West European countries and Japan were in the postwar period high, given, precisely, the low level of military spending. The United States' traditional demand that its allies multiply military efforts reflects not only and, perhaps, not so much the logic of an arms race aimed at preparation for war as the logic of competitive struggle. It is important to note that it was in the said period in such countries as Japan, the FRG and Italy that economic models with a negligibly small proportion of military production took shape and proved their high efficiency. The economic development of these countries, of Japan primarily, of course, refutes, it would seem, the proposition concerning the virtually principal role of the military-industrial complex in capitalist reproduction.

Of course, this was an extremely contradictory period, in the course of which relapses into the former colonial policy of imperialism projected under the new conditions onto the confrontation of the two social systems

also made themselves known from time to time. It is significant, however, that it was in the 1950's-1960's that a quite precise line separating so-called local conflicts from general and direct military confrontation emerged in the sphere of the military opposition of socialism and capitalism.

As a whole, however, the particular feature of the said period was the concentration of the external functions of militarism in the hands of the United States and simultaneously an intensification of the subordinate and complicatedly motivated nature of military policy of the other developed capitalist countries. In other words, the military preparations of the West European countries and Japan had no or virtually no independent functions, and within the framework of a policy agreed with the United States performed a secondary role.

The second round of changes in the configuration of the external functions of the militarism of developed capitalist states was connected with the emergence of approximate parity between the USSR and the United States in the strategic arms sphere. This event coincided in time with a weakening of the United States' political and economic positions in the world. The latter's natural reaction to these events was an endeavor to shift part of the burden of military rivalry with the USSR onto its allies. An increase in the allies' "contributions" was achieved with great difficulty and far from fully inasmuch as detente was seen everywhere as a lessening of the likelihood of a military encounter of socialism and capitalism.

A typical manifestation of America's allies' approach to the problem of the military contribution to the West's strategy were the actions of Japan, which in the fall of 1976 adopted the above-mentioned decision on a limitation of military spending to 1 percent of GNP and the long-term program "Basic Propositions of the Defense Plan," which was the conceptual substantiation of the ceiling on military spending. The program provided for the creation of the "foundations of defense potential" sufficient for peacetime and not adjustable proportionate to the military efforts of other countries. True, the proposition that the "exchange" of the nuclear potentials of the USSR and the United States would lead to the enhanced role of conventional arms and require of America's allies an adequate contribution in this sphere had appeared in Japan even at this time. However, it was not applied in practice in policy in the first half of the 1970's.

The latter half of the 1970's was marked by the implementation of new American, as of Soviet also, incidentally, military programs. As the country got over the post-Vietnam syndrome, the influence of simplistic geopolitical ideas emanating from the Soviet-American "zero-sum game" concept in U.S. policy grew. This process partially coincided in time with and was partially also stimulated by such actions, not completely thought through politically and strategically, as the commitment

of Soviet forces to Afghanistan. Obvious results of the said circumstances were the collapse of military detente and, what is particularly important, the revival in the United States of belief in the necessity and possibility of the achievement of military superiority to the USSR, given the active enlistment on this occasion, what is more, of the allies' resources. The demands on the NATO partners and Japan concerning an increase in their military contribution assumed maximum toughness and ultimately produced results, although once again half-baked rather.

Nonetheless, the traditional pattern: the United States demands of the allies an increase in their military power, and the latter satisfy these demands at the lowest possible level, was not disturbed. In other words, the external functions of militarism in the West European countries and Japan remained, as before, derived from American strategy and reflected their own interests mainly indirectly, in the form of a strengthening of the alliance with the United States. The external functions of national militarism were manifested most fully in the context of such arguments seemingly in the policy of France, which had quit NATO's military organization. But it was France which we were inclined to accuse of militarism virtually no less than all the other developed capitalist countries. Consequently, militarism itself was simplistically identified with this country or the other's membership of the camp of America's allies.

I would like to be understood correctly. The NATO countries, Japan and other U.S. allies undoubtedly did their considerable bit to exacerbate the relations of the two social systems and objectively contributed to military aspects of the intersystem confrontation becoming predominant and continuing even to be predominant to a large extent in world politics. This, however, is by no means necessarily the equivalent of their militarism for the latter is still impossible without clearly recognized national functions. Yet for the vast majority of America's allies the launching of a military attack on the USSR, together with the United States included, was and remains an almost inconceivable step contrary to their national interests.

At the same time, however, it has to be noted that in the 1980's the majority of developed capitalist countries has begun to incline toward a perception of the military-strategic aspects of the competition of the two systems in quite close connection with their national interests. The exaggerated belief in the "stabilizing" role of nuclear weapons allegedly safeguarding against the threat of the outbreak of general war has contributed to a very considerable extent to the prevalence in the West of the belief that participation in the arms race on the side of the United States is an element of the intensifying interdependence of the developed capitalist countries and, on the whole, differs little from measures to stabilize exchange rates, settle trade contradictions, formulate common approaches to problems of North-South relations and so forth.

Internationalization has thereby begun to extend to militarism also, supplanting its classical national functions. It would seem, however, that there are at least two obstacles in the way of a revival of the external functions of the militarism of developed capitalist countries on the new, "international" basis. The first is connected with the fact that increased interdependence of the three centers of imperialism is in no event canceling out their traditional rivalry. The relations of the United States, the West European countries and Japan are determined, as before, by a balance of centripetal and centrifugal trends. Whence it follows that a strengthening of the positions of America's allies relative to the United States corresponds to their interests. An increase in the contribution to American military strategy fits within these interests, but only up to a certain limit.

The point being that neither West Europe nor Japan can or wish to be on a par with the United States in the military sphere. The reason is not only the giant military power of the United States. No less important a role is performed by both the evolved economic structures and the social consciousness in the countries which are America's allies. If the military sphere does not ensure for West Europe and Japan positions equal with the United States, a buildup of efforts in the spheres in which equality is possible corresponds to their interests: in many spheres of the economy, science and technology. Ultimately this means that in terms of the degree of influence on their policy and relative significance therein the "international" militarist functions of America's allies derived from U.S. strategy are inferior by many orders of magnitude to the external functions of national militarism which have disappeared or are disappearing.

The efficiency and quantity of modern weapons making it possible to annihilate our planet many times over are another obstacle to the "internationalization" of militarism.

Today all agree that there could be no winners in a nuclear war and that it would lead to the destruction of terrestrial civilization. Yet the arms race continues, submitting to its own logic and accumulating the achievements of science and technology. S&T progress has engendered types of nuclear weapons which it is customary to consider "destabilizing". In the future, however, all types thereof will evidently be a part of this category.

There is no alternative to political measures in respect of deep cuts in nuclear arms and the maximum lowering of the level of the strategic balance. Cuts in strategic nuclear arms will inevitably require here accords pertaining to other types of nuclear and also conventional arms.²¹ Ultimately it has to be a question of the creation of the principles and a mechanism of the cooperation of the two social systems, within the framework of which military functions are reduced to the minimum.

Obviously, having closely interacted with priorities common to all mankind, the regularities of the relations of the two world social systems and also with the logic of the development of modern arms, the general regularities of capitalism no longer dictate with the former unambiguously the necessity and profitability of the external functions of militarism in either their classical national or new "international" form.

Let us sum up the interim result. The trend toward the concentration in American policy of the external functions of militarism which began following WWII is invariable in our day also. There are no serious grounds for speaking of West European or Japanese militarism as a phenomenon which has taken shape, as, equally, of the dominating trend in the policy of these countries.

V

This general conclusion does not, however, exhaust the discussion of Japanese militarism, if only because the charges against Japan of having revived it are being heard almost everywhere. To some extent the popularity of these charges may be explained by opportunist political considerations, and some things in them may, further, be put down to the inevitable subjectivism of opinions. Nonetheless, the prevalence of diverse stories concerning the revival of Japanese militarism force the true state of affairs behind them to be pondered seriously. It should be said straight away that charges against Japan of militarism are occurring despite the actual absence today in this country of the conditions for manifestation of the vast majority of militarist functions. The question, consequently, is why, on account of which factors, do such ideas exist.

One factor is superficial. As already mentioned, the definition and criteria of militarism accepted in Soviet political science are out of date. In many countries they have not been elaborated at all. For this reason the conclusion concerning the revival of Japanese militarism is most often based on an identification of Japan's potential with its policy. In other words, Japan's undoubted capacity for becoming a strong military power is perceived as its endeavor to become such. The accusation of militarism is deduced per roughly the same pattern from Japan's militarist past also. All this is quite trivial.

Far more serious, in our view, is another factor connected with the fact that Japan's position in the world has still far from been defined. The country's economic successes, of unprecedented scale and duration, have not simply brought it to the position of a leader of world development. They have also put on the agenda of the Japanese economy a number of difficult problems such as, for example, the discrepancy between economic power and international influence, the absence (or gradual disappearance) of strategic development goals, the spread in the public mind of a kind of "self-satisfaction complex" and so forth. These problems are largely

determining the intensity and focus of the country's search for the role which befits it in the modern world. The search itself has been under way in Japan for a long time, but, it seems, only now is it beginning to be perceived by the country's ruling circles and public opinion not as something "up in the clouds" but as an urgent matter requiring conclusions for practical policy.

From a confluence of circumstances beyond Japan's control the growth of its aspiration to a more prominent international role and the formulation of new strategic reference points of development has pertained to a period of international relations which is in many respects pivotal. The essence thereof is that today there are many reasons for posing the question of a renunciation of militarism and speaking of a trend toward a lessening of the role of military potential as a necessary attribute of great power status, but there is no certainty as to the irreversibility of this change.

Under current conditions renunciation of military force as a function of policy and a factor of national prestige is undoubtedly a requirement, to which there is no alternative, of the development of both mankind as a whole and each country individually. But for a recognition of regularities and a perception of the new thinking will and political courage and a readiness to forgo some of what yesterday even was an objective interest are required. It is even more important to overcome the inertia of political concepts which have taken shape over decades and, sometimes, centuries. In a word, mankind's renunciation of militarism has matured, but the way to the goal cannot be either simple or swift.

Had Japan's aspiration to the status of a great political power arisen several decades earlier, the appearance in Japanese policy of military functions and a revival of militarism would most likely have been inevitable. Were they to arise, for example, at the start of the next century, given the successful development of the trends of international relations initiated by the USSR, the revival of Japanese militarism would be extremely unlikely. In our day, however, it cannot be precluded that Japan's claims to the role of great power could lead it onto the path of a strengthening of military potential over and above its defense requirements. This is a path, incidentally, presupposing a certain distancing from the United States also. Japan has many of the preconditions for becoming a strong military state. They include, specifically, the development of science and technology expanding the sphere of dual-purpose engineering. Under such conditions the country's military power becomes to a far greater extent than hitherto a byproduct of the development of research in the civilian sphere and comes to be determined not so much by the quantity of weapons as the overall level of science and technology.

There are prerequisites for a revival of militarism in the public mind also. Views according to which a nation's international influence and prestige are inseparable from its military power have always been and are now present

in this country. The exponents of such views are represented quite widely, although not predominant in the ruling circles. The revival of Japanese militarism is usually associated in our, and not only our, thinking with an increase in such traditional views, which are similar to a large extent to the imperial philosophy of prewar Japan.

It is no accident that reports concerning any actions of Japan's "militarists" are greeted with unconcealed disquiet in Japan's neighbor countries. There are grounds for alarm. But they are connected not with the actions of the present "militarists" but with the fact that the threshold of tolerance in respect of them in the country is rising. Japan's military efforts are no longer perceived by the country's public opinion in a spirit of unconditional pacifism to the same extent as in the first postwar decades. A kind of "consumer" approach in accordance with which an increase in military potential is perfectly acceptable on condition that this is not reflected in the quality of life and level of well-being of the bulk of the population may be traced increasingly distinctly. In such a social climate a revival of militarism could become a reality, but on the indispensable condition that Japan's ruling circles find a place in their interests for military functions.

The growth of Japan's international influence is a consequence of its gigantic economic and S&T potential. It is merely a question of the impact which this process will have on the development of world civilization. The postwar successes achieved by Japan largely thanks to the renunciation of militarism could link its arrival in the world political arena with a strengthening of the antimilitarist trend. In other words, Japan's policy could be a kind of catalyst of an end to militarism. The other version—the growth of influence via the insertion of military functions in foreign policy—is fraught with very serious negative consequences.

Strictly speaking, the great and increasing attention to the subject of Japanese militarism is explained, in our view, precisely by the fact that the country is today faced with a choice whose results will be material for world civilization.

Footnotes

1. Here and subsequently the indications of militarism are quoted from "The Geography of Militarism," Moscow, 1984, pp 44-45.

2. See MEMO No 1, 1988, pp 75-87.

3. "The Geography of Militarism," p 146.

4. TOKYO BUSINESS TODAY, June 1986, p 26.

5. ("Gundzyu Sange") ("Military Industry"), Tokyo, 1983, p 215.

6. (SYUKAN DAYAMONDO), 10 March 1984, pp 42-16.

7. ("Boey khakuse") ("Defense White Paper"), Tokyo, 1987, pp 180-181.

8. I. Sergiyenko, "Revival of Militarism in Japan," Moscow, 1968, p 165.

9. Ye. Zaytsev, I. Tamginskiy, "Japan: Path of Militarism Once Again," Moscow, 1985, p 69.

10. V. Nikolskiy, "For a Peaceful Path of Japan's Development," Moscow, 1958, p 46.

11. See I. Sergiyenko, Op. cit., p 174.

12. M. Ivanov, "Growth of Militarism in Japan," Moscow, 1982, p 117.

13. TOKYO BUSINESS TODAY, June 1986, p 24.

14. Ye. Zaytsev, I. Tamginskiy, Op. cit., p 21.

15. "Large Soviet Encyclopedia," Moscow, 1974, vol 16, p 256.

16. "Soviet Military Encyclopedia," Moscow, 1978, vol 5, p 281.

17. It should be mentioned that in the 1970's the "militarism" concept was employed extensively in Soviet political science in respect of the PRC also.

18. PRAVDA, 3 November 1987.

19. It needs to be stipulated that in a state of antagonistic classes a coup d'etat could be of both a revolutionary, social and intrasystem nature. In practice, however, these two types of upheavals are connected in the sense that an intrasystem coup is usually an attempt by the ruling class to avert a social coup.

20. MEMO No 3, 1988, p 19.

21. For more detail see, for example, MEMO No 4, 1988, pp 10-22.

**Institute's U.S. Expert on Bush Administration
Prospects**

18160007k Moscow MIROVAYA EKONOMIKA I
MEZHDUNARODNYE OTNOSHENIYA in Russian
No 2, Feb 89 pp 131-137

[Interview with Prof L. Lyubimov: "New Administration—Old Problems"]

[Text]

The 8-year term in office of the most active Republican administration throughout the postwar period has come to an end. The head thereof—R. Reagan—gained a place second only to F. Roosevelt in popularity in the United States. And this was perfectly natural—appreciable events in the economic and political life of the United States are associated with his activity. Pronounced changes have occurred in world politics, in relations between the USSR and the United States in particular.

The Republican Party remains in power, but the presidency has been taken over by another politician—G. Bush. To what extent is the former vice president prepared to continue the political and economic line of the previous administration? What steps and in what direction may be expected in the future? To what extent was R. Reagan's policy (granted all its ambiguity and contradictoriness) associated with the personality of the departed president? What, on the whole, is the result of his two terms in office? These questions are today at the center of the attention of specialists and all who are interested in international problems. Prof L. Lyubimov, doctor of economic sciences, head of the USSR Academy of Sciences IMEMO North American Studies Department, expresses his viewpoint in conversation with M. Belyayev, chief of the Editorial Department.

Question. Lev Lvovich, let us start at the beginning inasmuch as otherwise much would be hard to understand. Specifically, how do you explain the reasons for the R. Reagan administration's popularity in the United States? After all, to judge by the assessments of our press, the reaction should have been different.

Answer. Indeed, the accents were not placed correctly right away—there was too much that was unusual in the actions of the administration in the 1980's. Too many clichéd approaches to an evaluation of the United States had built up in our country. Policy of "social revanche," "social Darwinism," "neoglobalism," "neoconservatism" and other scathing definitions were employed persistently to provide a summary description of the policy of the R. Reagan administration.

But let us leave aside the clichés and calmly investigate the situation at that time. The administration had been brought to power by the broad conservative alliance which had taken shape in the American electorate at the end of the 1970's. It had encompassed, incidentally, both parties. It was believed that double-digit inflation, the

profoundest crises in the capitalist world, the growing unemployment, the relative weakening of the United States' positions in the world economy, the defeats in Africa, Asia and Central America and other negative factors for the United States were a consequence of wrong theoretical reference points and mistaken practice.

At the same time conservative ideologists believed that the objective prerequisites which had matured in the foreign sphere would assist theradical change in reference points. They referred to the long-term trend of a reduction in the growth rate in West Europe and Japan which had emerged in the 1970's (that is, the leveling of the economic dynamics of the three competing centers of economic power), the reduction in the material- and energy-intensiveness of products in the developed capitalist world and, as a consequence, the improvement in the economic positions of the developing countries, whose participation in the world economy is, as before, chiefly of an agrarian-raw material nature. They referred also to the process of accumulation, which began in the latter half of the 1970's, in the USSR of negative factors which subsequently led to a precrisis state of its economy.

On assuming office R. Reagan, proceeding from the said objective prerequisites, put forward the idea of global revanche, that is, a return to a strengthening of American positions in all directions—in the United States' relations with the socialist world, with the "third world" and with the West European and Japanese competitors. Not partnership or cooperation but American military, political and economic power was, in the opinion of R. Reagan and his supporters, to be the basis of the United States' relations with the whole world.

Question. To recall our assessments of that time, the R. Reagan administration's foreign policy and economic course was categorized exclusively as the policy of a conservative-right group of the ruling class which had come to power on the frontier of the 1970's-1980's. It was maintained that the administration, expressing the views and approaches of this group, had substituted for class and national interest class instinct, was totally isolated from the realities of the fast-changing world and had become "deadlocked" in unavailing attempts to escape from past defeats. And, furthermore, there would involuntarily creep in the idea of the irrationality of the actions of an administration bent on revanche for revanche's sake.

Answer. This evaluation contained at least three essential inaccuracies.

The first was that the Reagan administration's economic and political philosophy was presented as its policy, whereas even at the initial stage of its term in office many specific government measures were a retreat from its philosophy.

The second was that administration policy was characterized as reflecting the views of just one group of the ruling class. It would have been more accurate to say that at a certain stage the ruling class perceived in modified form some system of views of one group as corresponding at the given moment to its goals.

The third was that there was a denial of the undoubted pragmatic components of both philosophy and policy, thanks to which the administration's ideas struck a chord both in the elite and in the broad masses. That is, the administration by no means only played on "shady instincts" (although this was the case) but appealed to commonsense also. In addition, it was pragmatism which was predominant in Reagan's policy. It was only the outward impression that his administration's policy was initially ultraconservative, but then "softened" to moderate. In reality, both initially and subsequently the pragmatic line predominated, but the requirements of policy changed, some tasks were tackled, and others arose, and there was also a change in the external conditions, among which an enormous place was occupied by Soviet policy based on the new thinking. An ability to rapidly adapt to the new requirements and new conditions and not be "deadlocked" in stereotypes was a remarkable feature of R. Reagan as a leader.

Question. We had become accustomed to writing almost exclusively about the failures of the policy of U.S. administrations. But if we abandon the one-sided approach, we have to ask: in what, for all that, considering the failures and setbacks, was the Reagan administration successful, after all, its popularity did not emerge in a void?

Answer. The United States was essentially faced with the dilemma of recognizing the trend toward a weakening of its positions as irreversible and building domestic policy also proceeding from these premises, in other words, reconciling itself to the prospect of a loss of leadership, or attempting to change the course of events. The R. Reagan administration opted for the second and made the center of policy the task of a strengthening of U.S. power. It was a question not only of "material" parameters (an efficient economy, armed forces and so forth). Considerable efforts were thrown into changing other countries' ideas of American leadership. An endeavor to force them to take stock of American demands in all instances, even if Washington was bluffing, could be traced. The strengthening of power was not an end in itself. It was an inevitable means for rehabilitating the "American empire," the necessity and possibility of whose preservation had apparently been confirmed.

An empire was necessary to the American electorate of the end of the 1970's-start of the 1980's for a number of reasons. First, it was difficult to part completely and forever with the historical memory of America in the postwar world multiplied by a messianic philosophy (parting with imperial ways and privileges is always difficult). Second, a crisis of the liberal perception of the

1970's had set in: the liberals had criticized the "empire" with its obligations, denied the power of strength and hung their heads before the "Vietnam syndrome". As a result it had come to seem to the broad conservative-right alliance at the end of the 1970's that the United States had undergone a series of profound defeats in the course of the decade (there was the strengthening of the defense might of the USSR, its increased influence in the "third world," far-reaching changes in Spain and Portugal, the aspiration to independence of the social democratic governments of West European countries, the actions of OPEC, economic disorders—crises, inflation, unemployment—and so forth).

Question. But the J. Carter and G. Ford administrations had attempted to preserve the American empire also?

Answer. No doubt. But they endeavored to expend for this the minimum of resources. True, by no means for moral-ideological considerations but simply by virtue of objective factors preventing them doing otherwise. The base and necessary conditions for restoration of an all-embracing imperial policy were, from their viewpoint, lacking. It seemed to the R. Reagan "team," however, and the conservative alliance supporting it that such conditions had matured by the end of the 1970's. Also added were notions concerning the possibility of the USSR's military-economic exhaustion in an arms race and in the "mire" of regional conflicts, the disciplining of the allies as a result of the abandonment of detente and of deterrence of the "third world" and nationalist trends within the United States.

It was by virtue of all the factors that the policy of the R. Reagan administration, really neoconservative "inside" and geared to global revanche "outside," was simultaneously pragmatic also inasmuch as it proceeded not only from "class instincts" but from a whole number of actual prerequisites also.

Question. In the domestic sphere the R. Reagan administration set the task of a sharp increase in the efficiency of the American economy. The economic program which Reagan put forward in 1981 evidently incorporated five basic components: a reduction in the rate of government spending and its share of GNP (and, accordingly, a reduction in or an end to the budget deficit); tax cuts; reduced inflation; "liberation" of the economy from government regulation; transfer of some federal government functions to the local authorities; a stable government economic policy. But by no means was all of this program implemented, particularly in the first years.

Answer. Indeed, government spending rose sharply (from 21.5 percent to 23.4 percent of GNP in the period 1979-1986), the budget deficit grew to \$220 billion in 1986 and the national debt swelled to almost \$2.6 trillion, and spending on servicing it, to \$145-150 billion (this is now the third biggest item of budget expenditure).

There were indeed certain tax cuts as a result of the 1981 and 1986 reforms. This provided even the section of business which had been deprived of direct or indirect government support with considerable resources. The tax reforms contributed appreciably to increased consumption. But at the same time they deprived the budget of significant revenue.

Inflation declined sharply under Reagan. The measures aimed at "deregulating" the economy did not in reality lead to a radical dismantling of the mechanism of government interference. It is possible to speak rather of a decentralization of regulation processes and a stimulation of consumption, and not of a direct influence on production. But, as a whole, this policy, together with other factors, ensured economic growth which was relatively stable and of record duration.

The R. Reagan administration preferred not to expatiate on certain intentions without which achievement of the said goals was unlikely. We are talking about the substitution for artificial factors of maintaining business' economic immunity and activity (subsidies, temporary tax breaks and so forth) of natural factors—the creation of stricter competitive conditions for American business. Besides the elimination of a large number of subsidies and other benefits, the U.S. Administration, having jacked up the dollar's exchange rate, attracted onto the home market a vast quantity of imported products. In the period 1980-1987 imports (excluding oil and petroleum products) grew from \$170.5 billion to \$334.9 billion, including an increase in imported machinery and equipment by a factor of 2.5, which catered for the investment process in the United States to the extent of almost one-third (little more than one-fifth in 1980).

A commodity "tsunami," which "tested" the competitive potential of national products, literally rained down on the American market.

Question. The "testers" had to pay with a sevenfold growth in the balance of payments' deficit (from \$25 billion to \$170 billion)?

Answer. The problem goes deeper. The trade deficit is dangerous not only in its size. It has confounded the generally recognized regularity of a winding down of imports under conditions of a decline in the exchange rate of the currency of the importing country. Simultaneously the growth of exports (which began, incidentally, only in 1987) has by no means corresponded, from the viewpoint of truisms, to the scale of the decline in the exchange of the dollar. All this is the result of the low competitiveness of American products.

Question. Perhaps the United States has transferred efforts to the science-intensive spheres, handing over "yesterday's" products to its partners?

Answer. That's just the point. A deficit balance in the United States' trade in science-intensive commodities has arisen as of 1986. This has indicated a lag in the holy of holies of American business—the sectors symbolizing S&T progress. And so abrupt a change in the U.S. role in this sphere occurred in the period of the Reagan presidency, what is more. There had been a constant decline in the surplus in the trade in these commodities as of 1982.

Question. But what can be said about the U.S. "second economy," it is, after all, a factor of the country's power?

Answer. It was right up to the R. Reagan presidency. The surplus balance of direct overseas investments grew rapidly (from \$75 billion to \$132.3 billion) and the international investment positions of the United States as a whole strengthened constantly in the 1970's (the balance grew from \$45.5 billion in 1970 to \$141.1 billion in 1981). In the 1980's the situation changed. The United States' overall investment positions amounted to a deficit of \$269.2 billion in 1986, and the surplus balance on direct investments fell to \$39.1 billion. "Respectable" explanations had to be sought. As in the case of foreign trade also, reference was made to the need to support the domestic structural reorganization thanks to the attraction of the capital of the most advanced overseas firms, the return "home" of part of the assets of its own TNC and so forth.

The conversion of the United States in the period of the R. Reagan presidency from a world lender to a world borrower was sensational. In 1987 even the United States' net foreign debt amounted to almost \$370 billion. There was an interpretation of this phenomenon according to which the huge influx of foreign financial resources into the United States was connected with the evaluation of the United States as the most stable and promising ("last") refuge of world capitalism.

Question. Such explanations evidently really flattered American capitalism?

Answer. In my opinion, they resemble an attempt to avoid a real explanation. In general, attempts to explain the large-scale and very serious problems which have confronted the United States by good intentions and fascinating long-term plans or to portray these problems even as a consequence of increased American power have recently been a notable feature of certain economic and political studies in the United States.

In actual fact, the situation is very serious. Even many American experts believe that at the start of the 1990's the country's foreign debt will have risen to \$1 trillion, regardless of the attempts to curb its growth. This is a perfectly realistic prospect and does not inspire optimism. To speak of the negative aspects of the Reagan administration's policy as a whole, however, it has to be emphasized that in the 1980's the United States has consumed more than it has earned, invested less than it

has worn out and imported more than it has exported. This is not only worrying. It is radically in breach of an economic tradition (on which Americans like to pride themselves)—leaving the next generation accumulated wealth, and not debts and problems.

Question. What caused the process of growth of the foreign debt and the trade deficit?

Answer. The exponential growth of the U.S. foreign debt (if we disregard secondary, although sometimes important, factors) was brought about by the measures which ultimately contributed to preservation of the long-term trend of continuation of the low rate of savings. The measures within the framework of "Reaganomics" proved extraordinarily effective for an upturn of consumption thanks to loan capital from overseas and a curbing of capital investments. Government measures in this direction proved the most consistent. The proportion of net capital investments in the U.S. GNP in the 1980's has declined, and the absolute amount thereof today is lower than in Japan. Not "earning a living wage," the United States has been forced to live on credit.

This is a kind of "base" premise, a foundation. The actual reasons for the record balance of trade and payments deficits and the negative phenomena in investment policy overseas have changed. In 1985 the growth of imports could have been explained by the upturn in the dollar's exchange rate. But it is not possible to explain the mass overseas purchases of commodities (of almost \$400 billion in 1987) under conditions of the reduced value of the national currency with disregard for the problem of competitiveness.

The dear dollar, of course, opened the "trade gate" into the United States and stimulated imports. But the subsequent widening of the "gate" was no longer connected with currency factors. The demand for imports signified American commodities' loss of popularity.

Question. The government hoped that in the competitive struggle the viability of American business would increase. Understandably, this process is quite lengthy, and losses may in the short term be recouped by strategic gains. Is it now possible to make if only an approximate evaluation of this, to be plain, risky step?

Answer. Answering unequivocally the question of whether this intention has succeeded or not is very difficult. In any event, if foreign products continue to supplant American products, and many people in the United States still see salvation in extra-economic means of suppressing competitors (that is, protectionist measures), this will by no means be an indication of the increased viability of American business.

For the 10 years which preceded the upturn which began in 1983, productivity had grown in the United States more slowly than in Japan, the FRG and France. Under

the conditions of a lower rate of savings in the American economy the process of the replacement and expansion of the production machinery was slower. The traditionally lesser involvement in international exchange preserved certain stagnation features in American industry. The proportion of spending on R&D in the GNP declined in the 1970's. This whole legacy led in the 1980's to severe consequences for the competitiveness of the national product.

The policy of incorporation of the American economy in the world economy for the purpose of enhancing its competitiveness obviously produced, however, certain positive results. Fixed capital in industry (in the traditional sectors included) has been replaced intensively, the proportion of spending on R&D has grown somewhat and the United States' "patent" positions in the developed capitalist world have stabilized since 1983.

Question. To continue the discussion of efficiency, does not the regrouping of forces in the monopolized sector of the U.S. economy (I refer to the unprecedented merger and takeover boom and the "splintering" of American corporations, major ones included) testify to business' endeavor to seek the most rational organizational structures and increase overall management efficiency, for repelling foreign competitors included?

Answer. This was an important reaction of American business to such measures of the R. Reagan administration as a cutback in federal subsidies and also to the growth of imports and such. The main content of the monopolization process in the 1980's has been the movement of monopoly capital to the new sectors and strategic areas. Account has been taken here to a large extent of the seriousness of such a problem as S&T convergence in the group of traditional industrial states and the new industrial countries and the receptiveness of individual sectors and industries and the economy as a whole to the results of S&T progress in the other world centers. Communication standards have become real criteria upon an evaluation of the compatibility of a huge number of new technological and product decisions. Having abandoned the subsidizing of business, in the 1980's the U.S. Government did much to stimulate the organizational restructuring of the corporations, particularly the development of forms of S&T cooperation. The 1984 act on cooperation in the R&D field operated in this direction.

Question. Is not the situation in the American economy which you have sketched unduly gloomy, are we not overdoing it?

Answer. Of course, it would be naive to imagine that U.S. economic development is at a standstill and that the American economy is in a state of crisis. The economic and S&T potential of the United States is great enough for the solution of even more complex problems, given a certain reorientation of political goals and priorities and

the modernization of the means and methods of economic management. However, it may be said with certainty that in the next few years the United States will have to come to terms with new phenomena in the correlation of forces within the group of developed capitalist countries.

There's no going against the facts—the American deficits and the foreign debt which has arisen not only have not led the United States to global "economic revanche" but have essentially contributed to a certain leveling of the positions of the three main economic power centers of present-day capitalism. For the first time a situation has arisen characterized by the achievement of the considerably greater evenness of the economic development of the United States, West Europe and Japan. This phenomenon most likely has to have certain political consequences also.

Question. The scale and abrupt nature of the emergence and development of the American deficits are unprecedented. Nonetheless, they had virtually no influence on R. Reagan's authority. In any event, they influenced it far less than, say, "Irangate". This fact might be puzzling, to say the least. After all, the trade deficit of \$100-150 billion was alone enough, seemingly, to have created a crisis situation for the government of the major Western country. Perhaps these negative changes signified little for the United States?

Answer. Of course not. They mean what they have to mean, even for such a powerful country as the United States. But for the ordinary American they mean little inasmuch as they do not affect him directly. On the other hand, the ordinary American puts down to the undoubted credit of the R. Reagan administration the fact that it was able to halt or minimize inflation (whereas in 1980 the prices of consumer goods grew 13.5 percent, in 1982 they grew 6.1 percent, in 1984, 4.3 percent, and in 1986, 1.9 percent). He appreciates also the reduction in and certain equalization of taxes. He knows that the profound and serious economic crisis (1980-1982) bequeathed Reagan by the preceding administration was overcome more rapidly than in other capitalist countries. That the post-crisis restoration moved rapidly into a phase of upturn in 1983-1984 and that the upturn (albeit at a moderate pace) has lasted for a record length of time and that there are no signs of imminent deterioration. Unemployment is declining, loan interest has fallen and business has begun to spend more on R&D than earlier. And all this, in the justified opinion of the ordinary American, indicates that in the period of the Reagan presidency at least those promises which have a serious bearing on his interests were fulfilled.

It also has to be considered that the chauvinist mood ignited with the arrival of the Reagan government also had a bearing on the psychological evaluations of foreign economic situations. The common man was impressed by the high dollar exchange rate, the feverish and painful

adaptation of other countries to this phenomenon, the capital from other continents which poured into the United States for the high interest and the serious currency fluctuations in Europe and Japan provoked from the United States in connection with the decline in the dollar's exchange rate which began in 1985. He believed that the process of the gradual loss of American economic power had been halted. This belief was underpinned by a wide-ranging set of various economic sanctions and "punishments" actively employed by the U.S. Administration in respect of a large number of countries and for the most diverse reasons.

Question. How were the changes in the economy of the leader of the capitalist world reflected in international economic relations, after all, they cannot have passed without trace—the role of the United States is too big and the changes were too abrupt?

Answer. The destabilizing role of the United States increased. The dramatic fluctuations in the price of the dollar instigated by the New York Stock Exchange upheavals, the periodic sell-offs of large consignments of raw material commodities from the strategic reserves accelerating price fluctuations and the constant demands on its trading partners for "self-limitation," a joint boycott, joint sanctions and so forth by no means contributed to economic stability. The economic neoglobalism could not have been and was not anything other than an expression of economic aggressiveness, when this failure or the other in implementation of economic policy which was a natural and objective result of the action of the market mechanism immediately brought tough government action in response. Even recently "going for one's gun" was customary even in economic policy.

The stock exchange panic on Wall Street, which engendered a devastating "shock" wave in all the world's stock market centers, put an end, seemingly, to the last illusions concerning the stable prosperity brought about by "Reaganomics". Today the vast majority of specialists within the United States and beyond are pointing out that the stock market panic was a consequence of America's debts and deficits. The time has come to ponder the direction in which to head. While having achieved a number of positive results in the "domestic" economy, the United States is nonetheless encountering the need to tackle not only the old but also new problems, which requires a search for new or the appreciable modernization of the recent concepts of the economic mechanism and foreign economic strategy.

Question. Outlets to policy may be discerned here...

Answer. The political role of the United States in the world today depends to a decisive extent on the state and prospects of the American economy. The detachment of foreign policy from the economic situation which was permitted in the past and a certain independence thereof now are impracticable.

Whereas earlier the U.S. leadership was supported by the symmetrical contribution of military and economic power, today economic power is being seriously tested by Japan and West Europe, and military power could and evidently should begin to lose its meaning inasmuch as this component has been justified by the alleged threat from outside. We are witnessing, however, trends of the erosion and, in the future, the elimination of such ideas. This will inevitably confront coming administrations with the task of revising the United States' external commitments in order, while preserving some, to reduce others and hand over yet others to their partners (or share them with them).

The Reagan administration did not know how sufficiently to take account of the interconnection and wholeness of the modern world, in which the weakening of some could signify a universal weakening and where a threat to a region becomes a threat to the whole world. Thus the continued exacerbation of crisis problems in the developing countries is creating increasingly big difficulties for the United States itself and demanding, as many American specialists recognize, a search for new approaches to their solution. The level of debt accumulated by the "third world" has already jeopardized the practicability of their return to the conditions under which it arose. The dramatic decline in the growth rate of exports and the loss of some export income have deprived developing countries of the possibility of importing in the former quantities products from the developed countries, including the United States.

The profound interdependence between the United States and the economy of other countries is expressed, *inter alia*, in American imports of food totaling \$25 billion annually, of mineral raw material totaling \$56 billion, of mechanical engineering products totaling \$140 billion and of other products totaling more than \$160 billion. But, on the other hand, an appreciable quantity of these commodities is produced by overseas affiliates of American TNC or mixed companies with the participation of U.S. capital. This is a process which is far advanced and in which interdependence has become an obvious imperative. The stability of this process has become a demand of the times and has come into conflict with the destabilizing spasms of the foreign economic actions of the U.S. Government.

Question. Interdependence is traced today not only in the foreign sphere, it is rooted in deeper economic seams, and the results of domestic economic activity are directly reflected in the state of international contacts.

Answer. Undoubtedly, the currency, stock and commodity markets and credit institutions latch on practically instantly to changes in the budget, fiscal and monetary policy or situation in the United States, West Europe and Japan. As a result there is an immediate reaction in such spheres as exchange rates, stock prices, the movement of capital, international trade, bank interest and domestic and foreign policy measures. "Reaganomics" did not

remain a purely American phenomenon. The economic "neoconservatism" of the United States in the first half of the 1980's became a kind of epidemic, which could by no means always even formally, even less in essence, be explained by some total "shift to the right". Yet so-called "unilateralism" emerged in the United States and has remained an exclusively American phenomenon.

But, as a whole, recognition of the wholeness of the world is growing. Even the United States is speaking increasingly insistently about the fact that federal economic policy should be elaborated and implemented with regard for the demands of its compatibility with the policy (and interests) of other countries, and there is a strengthening understanding that the "principle of non-exclusivity" has become a necessary condition for state self-awareness.

Question. Forecasts are so unreliable business, but is it possible to outline if only the contours of a possible scenario? Primarily will the United States continue its economic development and the buildup of military efforts by increasing domestic and foreign debt? If not, what might support public and government spending? Will there be a return to the practice of tax increases? How will the deficit problems be tackled? Will numerous socioeconomic programs remain frozen?

Answer. Yes, it is these basic questions which remain to be solved. The new administration has inherited a complex, contradictory situation. It has both positive and negative aspects, but the main thing distinguishing it is the uncertainty of future prospects. Americans expect a continuation of the positive results of "Reaganomics" (continued stable economic upturn and structural reorganization, control of inflation, moderation of the tax burden and so forth). But they have paid for this with negative phenomena, the scale of which has begun to cause alarm. Of what will the new paradigm of future economic policy consist? There is no definite answer as yet.

The United States has run into a most acute contradiction between the need to adopt stringent measures to change the negative trends in the economy and the possibilities of proposing and, even more, implementing these measures. Practically any combination of radical measures will evoke a sharp negative public reaction since it will require serious and long-term sacrifices. For this reason it is more probable that we can expect the preservation as yet of the economic instruments which the Reagan administration employed, but given a rationalization of spending and a search for additional budget revenue (without a tax increase inasmuch as G. Bush rejected this alternative many times over and consistently during the election campaign). After all, the central and most difficult question is the budget deficit. It has changed from a purely economic to a most serious political question causing profound disagreements between the administration and the Congress, and since the stock market upheaval in October 1987, between the

United States and other Western countries. There is no chance of the new administration being able to secure national consensus on the question of a reduction in budget expenditure on social needs, development of the infrastructure and so forth. Nor can spending on servicing the national debt (more than 14 percent of the budget) be reduced. But a continuation of the trend toward a freezing (and reduction in real terms) of military spending is perfectly possible. Investments in "human capital" are becoming a priority if the United States really aspires to strengthen the competitiveness of its economy.

Ordinary Americans are particularly alarmed by the long stagnation of real income. It is being perceived by many people today as a symptom of the futility of hopes of a further rise in living standards. The more so in that the new jobs created in the 1980's are "accommodated" almost entirely in services, where earnings are appreciably lower than in the economy as a whole.

In the light of the tasks pertaining to a surmounting of the difficulties of the "deficit era" the question of real income is really complex. Sources of increased well-being are limited even for such a country as the United States. Considerable numbers of these sources have to be used today to service existing debt. In the social plane this also is causing serious difficulties inasmuch as it will inevitably delay a solution of urgent problems and the satisfaction of new requirements. The U.S. economy, which is oriented to a tremendous extent toward personal consumption, will very likely encounter limitations of a protracted nature.

An appeal for rationalism, for pragmatic solutions and for observance of a strict dependence between goals and possibilities in all aspects of foreign and domestic policy was heard most often in the election discussions of various economic problems. This demand has evidently become predominant in the American electorate's present and future expectations. Rationalism in respect of the whole spectrum of directions of U.S. policy could bring about appreciable changes in its reference points. Within the country this could most likely lead to a more attentive attitude toward social problems, outside, to a reconsideration of the undisputed priority of the principle of exclusivity and an emphasis on factors of cooperation. G. Bush brought "under his banners" the strongest economic "team" in the last 40 years. Its potential is great, but no less great are the limitations which this "team" will encounter in the economic sphere.

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[Report by Aleksey Alekseyevich Kirichenko, head of a department of the USSR Academy of Sciences IMEMO: "Vladivostok-88: Hopes and Prospects"]

[Text] In July 1986 M.S. Gorbachev, general secretary of the CPSU Central Committee, delivered a speech in Vladivostok which subsequently acquired great celebrity. The action program pertaining to an improvement in relations in the Asia-Pacific region (APR) which it put forward has subsequently been supplemented and amplified, having acquired comprehensive philosophical substantiation in the Delhi Declaration on the principles of a nonviolent world free of nuclear weapons (November 1986) and in other of our country's initiatives, including the new proposals at the highest level contained in M.S. Gorbachev's Krasnoyarsk speech (September 1988).

The active approach of the Soviet Union to problems of Asia and the Pacific proceeds from the fact that the development of regional processes and the establishment of good-neighbor relations within a specific geographical framework should be an integral part of the process pertaining to the safeguarding of general peace. The Soviet concept of security closely links the achievement of accords at the global level with a normalization of the situation in individual regions and regards regional efforts as integral components of and necessary conditions for an improvement in the entire system of international relations. The combination of these two levels and their interdependence require a comprehensive approach to security issues. Under these conditions a stimulation of political dialogue and an extension of economic cooperation between the countries washed by the Pacific are an important factor of an improvement in the international atmosphere and new political thinking at the global level.

The domestic policy aspect of a stimulation of our country's position in the APR is material also. The Soviet Far East performs a particular role in the wide-ranging program of modernization and intensification of the national economy which is under way. With long-term interests pertaining to the safeguarding of peace in Asia and endeavoring to create propitious foreign policy conditions for the plans of economic development, the Soviet Union advocates the development of good-neighbor relations and the establishment of close economic cooperation with neighbors in the region.

Soviet policy in the APR is based, as can be seen from the initiatives which have been put forward recently, on a comprehension of both lessons of the past and present realities. "In formulating proposals acceptable to all we sought," M.S. Gorbachev declared, speaking in Krasnoyarsk, "the equivalent force in a balance of interests."

Problems of a solution of conflicts and knots of confrontation and a curbing of militarism were made paramount in our regional initiatives. One of the former is the lagging of international cooperation behind the rapid economic growth of individual countries.

Attention was paid in many countries to the Soviet leader's warning that the possibilities of making full use of the colossal potential of the APR for the purpose of general progress and peace throughout the world which exist currently could be lost if the sum total of the complex problems in this vast region is not worked on now. The attempts, however, of certain skeptics to question the sincerity and honesty of our intentions and proposals and portray matters such that the Soviet Union had under the cover of peaceable phases embarked on expansion have proven groundless.

Much has been done since the Vladivostok initiatives, which triggered a stimulation of the Asia-Pacific direction in Soviet foreign policy. We recall merely the most important events. The signing, ratification and practical steps pertaining to implementation of the Soviet-American agreement to eliminate intermediate- and shorter-range missiles based on the "double global zero" concept, as a result of which two classes of missiles east of the Urals will be destroyed, and the partial withdrawal of Soviet forces from Afghanistan, which began in accordance with realization of the Geneva agreements. The situation on the Indochina peninsula is normalizing. There has been a marked improvement in relations between China and our country, to which the withdrawal of some Soviet Army subunits deployed in the Mongolian People's Republic contributed to a large extent. Protocols to the Rarotonga Treaty on the creation of a nuclear-free zone in the South Pacific have been signed. The exceptionally full exchange of visits by Soviet leaders and many states of the region, including the ASEAN countries, contributed to the successful implementation of foreign policy actions.

Of course, no one expected quick success in realization of the ideas and proposals put forward in the Vladivostok speech, and many of them are still to be implemented in practice. It was in this situation that the idea of a broad international forum to analyze the results of what had been achieved in the 2 years which had elapsed since the initiatives were put forward and exchange opinions on questions of regional development which remain urgent was born.

The international meeting "Asia-Pacific Region: Dialogue, Peace, Cooperation" was held in Vladivostok from 1 through 3 October 1988. Interest in the forum was so great that, in addition to the states of the region, representatives of many European and Latin American countries wished to take part. More than 200 well-known scholars, politicians and religious figures, diplomats,

businessmen and figures of culture from 36 countries gathered in the "capital of the Soviet Far East". The meeting was covered by 80 Soviet and 35 foreign journalists.

At the opening ceremony Academician Ye.M. Primakov, chairman of the Soviet National Committee for Pacific Economic Cooperation, read out greetings from the chairman of the USSR Supreme Soviet Presidium and general secretary of the CPSU Central Committee to the participants in the meeting, which noted the importance of the representative international conference in the biggest city on the USSR's Pacific coast—Vladivostok—which even recently was "closed" to foreigners.

Papers were read at the plenary session by I.A. Rogachev, deputy USSR foreign minister, and Academician V.I. Ilichev, chairman of the USSR Academy of Sciences Far East Department. The first speaker emphasized the existence of two trends distinctly discernible in the Asia-Pacific region at the present time. On the one hand ways of a normalization of the political atmosphere had emerged, and the unblocking of chronic conflicts was under way (the Geneva Afghanistan agreements are being implemented, practicable prerequisites for a settlement of the Cambodia problem have emerged, military operations between Iran and Iraq have ceased and signs of a possible lessening of tension on the Korean peninsula have appeared). What is particularly reassuring is that many countries are seeking ways of safeguarding their security primarily by political means, renouncing military-power methods of solving conflict situations.

At the same time the process of the deployment in the APR of nuclear weapons, including sea-launched cruise missiles, continues. Naval activity, the danger of which is increasing owing to the fact that the lines of confrontation between certain countries are determined by naval contact, is expanding.

I.A. Rogachev called the attention of the participants in the meeting to the importance of the new regional initiatives put forward in Krasnoyarsk, specifically, the Soviet Union's readiness not to increase in the APR any types of nuclear weapon and the proposal concerning consultations between the main naval powers on a non-increase in the region of naval forces and the prevention of incidents at sea and in the airspace above it.

Academician V.I. Ilichev dwelt on the main natural and economic characteristics of the Soviet Far East and analyzed the possibilities of the enlistment of this area in the process of the international division of labor based on the development of equal relations with all states of the APR.

Following the plenary session the participants in the meeting separated into three panels. The most populous was the first one, which discussed problems of security and disarmament and other questions of regional policy

closely linked with the global task of the survival of mankind and the building of a civilized system of international relations. The course of the discussion showed that there is in the region an exceptionally diverse range of opinions and assessments of the causes of tension, sources of danger and methods of settling international conflicts. The composed and constructive nature of the discussion on problems of the development of relations in Asia and the Pacific made it possible to get a better idea of opponents' positions and map out points of contact of interests. The majority of the speakers supported the idea of the need for the creation in the region of a kind of negotiating mechanism for the solution of problems which had accumulated earlier and those which newly arise.

The role and significance of power methods as an instrument of conflict-solution were analyzed. Specifically, there was an ambivalent evaluation of nuclear weapons as a means of ensuring security in the so-called nuclear deterrence concept. It is still too early to speak of a concurrence of approach on this issue. However, a promising background, against which real changes in the direction of mutual understanding are possible, gradually took shape in the course of the discussions.

As the participants in the meeting observed, the Delhi Declaration, which calls for the conclusion of an international convention banning the use or threat of nuclear weapons, was an important contribution to the creation of an effective mechanism of the solution of regional problems. The interest of the participants in the dialogue was elicited by the proposal of J. Singh (India), director of the Defense Research and Analysis Institute, for the conclusion at the first stage of such a convention between India, the USSR and China, considering that these states have an extremely critical attitude toward the doctrine of nuclear deterrence.

As expected, the participants in the discussion of regional military-political problems devoted attention to questions of a settlement of the conflict surrounding Afghanistan and Cambodia and dwelt on the positive changes in the direction of a normalization of the situation. M.S. Gorbachev's suggestion made in Krasnoyarsk for discussion on a multilateral basis of the question of a lessening of the military confrontation in the areas where the shorelines of the USSR, PRC, Japan, the DPRK and South Korea converge aimed at a freezing of and commensurate reduction in the levels of naval and air forces and a limitation of their activity was given high marks.²

The speeches of R.A. Scalapino, director of the University of California East Asia Studies Institute (United States), K. Randjbar, vice president of the Afghan Academy of Sciences, political commentator V.D. (Chopra) (India), Prof. K. (Sayeki) (Japan), Prof. D. Hellman (United States) and a number of other foreign and Soviet participants, granted a certain polarity of opinions and a

dissimilar approach to the solution of international problems, evinced, as a whole, a sincere interest in the creation of a healthy atmosphere of international relations in the APR.

The work of the panel "Economic Development and Regional Cooperation" was, according to the comments of many guests, most lively and interesting. A number of specific issues directly related to the singularities of the development of Siberia and the Far East and the prospects of their participation in the system of the regional division of labor and the Soviet Union's place in the work of regional international organizations was discussed. The Soviet scholars P.Ya. Baklanov (USSR Academy of Sciences Far East Department Economic Research Institute, Khabarovsk) and V.I. Ivanov (USSR Academy of Sciences IMEMO), practical organization executives I.Ye. Khotsialov (USSR Council of Ministers State Foreign Economic Commission), Ye.E. Obminskiy (USSR Foreign Ministry), N.G. Yakubov (USSR Ministry of Foreign Economic Relations) and V.K. Lozovoy (Association for Practical Cooperation with APR Countries, Vladivostok) and others provided a comprehensive description of the economic position of the Soviet Far East and familiarized the foreign participants with the actual possibilities and prospects of its development.

The speakers emphasized that a notable feature of the restructuring and renewal of the Soviet economy taking place in the USSR is the particular attention being paid to the development of the country's Far East regions. It was for this reason evidently that the foreign participants in the meeting displayed the main interest in questions of the greater management autonomy which is being granted, the widening of the circle of economic partners from foreign countries, determination of the most priority areas of cooperation and formation of a concept of foreign economic relations which corresponds to the general strategic direction of the development of the whole economy of the Far East.

A big place in the process of discussion was occupied by the very approach to the problem of development of new areas, of the Far East specifically. And it was no accident that prominent representatives of the business world M.M. Earle (United States), S. Yoshida (Japan), (Dzh. Feyr) (New Zealand), E. Penalos (Colombia), E. Trigg (Canada), T. Sato (Japan) and others fully supported Soviet scholars' opinion that the fundamental changes in the USSR's economic potential and foreign economic relations on the Pacific coast are possible only given a concentration of efforts and resources on the development of areas which already have the prerequisites for this, specifically the Maritime and Amur regions. Also perfectly justified was our guests' interest in ascertainment of the legal and economic mechanism of the activity on USSR territory of joint ventures and the establishment of long-term economic relations.

At the center of attention was the idea expressed by M.S. Gorbachev in Krasnoyarsk of the creation of special economically privileged zones for the entire Far East

economic area and the proposal concerning the discussion of problems of the creation of special joint enterprise zones and the quest for conditions of economic dialogue acceptable to foreign partners. The new approaches to the prospects of economic development contained in Soviet scholars' speeches and underpinned by a frank analysis of the state of affairs in this field confirmed the seriousness of the USSR intentions concerning the establishment of extensive economic relations with countries of the region.

The interest displayed by the Soviet Union in the activity of the Pacific Economic Cooperation Conference and its working groups and also other regional organizations appeared perfectly natural in this respect. Information concerning their important role in an extension of economic mutual relations in the Pacific was contained in the speeches of a number of foreign participants in the meeting.

In the course of the work of the third panel, which was chaired by B.M. (Diakh), chief editor of the Indonesian newspaper MERDEKA, questions of cultural cooperation in the APR and the role of the mass media in strengthening peace, friendship and mutual understanding between peoples of the region were discussed. The Soviet initiative of the creation of an international cultural and historical center for the APR was supported. It was decided to put international festivals and sports activities in various cities of the Soviet Far East on a regular footing.

The question of the increased role of human contacts between peoples was raised, perfectly legitimately. The expansion of tourism in the APR countries should contribute to a strengthening of mutual understanding and study of the unique diversity of their way of life and cultural heritage. The stimulation of contacts between scholarly and student circles and public organizations and an exchange of books, works of art and folk creativity would make it possible, as the participants in the discussions rightly observed, to do away with the old dogmas and clichés more rapidly. Many speakers said that they could not conceive of the development of humanitarian ideas without active support for antiwar movements in the region.

The Vladivostok forum had extensive repercussions throughout the world and, according to numerous comments, played an important part in the shaping of the new image of the Soviet Union and its people. Contributing to this were the candid atmosphere of the discussions, the meetings with inhabitants of the city and the visits to enterprises and organizations. The journalist S. Taoka, who had been moved by the good wishes of Vladivostok inhabitants, which, according to him, "typified people of every level in respect of the foreign guests,"³ described his impressions in the popular weekly supplement to the newspaper ASAHI.

The international meeting conducted in Vladivostok undoubtedly enabled many of the countries participating to really evaluate the possibilities of the Soviet Far East in the establishment of close cooperation with its neighbors in the region and to get a more graphic idea of the benefits and advantages (political included) to be derived from an extension of the regional division of labor and economic interdependence on an equal, non-discriminatory basis with the participation of all interested countries.

There are already many examples of the high evaluation of the Vladivostok forum's contribution both to the overall strengthening of an atmosphere of trust and to the search for specific directions and forms of the partners' interaction in the Pacific. Here is one. L.R. Shahani, chairman of the Philippines Senate Foreign Affairs Commission, who participated actively in the meeting, reported to his parliament on the undoubted benefit of cooperation with the Soviet Union.

The organizing committee continues to receive letters from many of the foreign participants expressing gratitude and an awareness of the exceptional importance of such measures and a desire to participate in them in the future.

Footnotes

1. PRAVDA, 18 September 1988.
2. See PRAVDA, 18 September 1988.
3. ASAHI SHIMBUN WEEKLY AERA, 1 November 1988, pp 30-33.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1989

Question of USSR Issuing Stocks, Bonds
18160007m Moscow MIROVAYA EKONOMIKA I
MEZHDUNARODNYE OTNOSHENIYA in Russian
No 2, Feb 89 p 142

[Article by L. Grigoryev: "Securities: Prohibit... Cannot... Be Allowed"]

[Text] The problem of issuing securities for financing economic development has in the past year or so become a hot issue in socialist countries. It hardly needs to be shown that the creation of a developed socialist market is impossible without a flexible financial system. It is interesting in this context to glance at the recent (15 October 1988) USSR Council of Ministers decree "Enterprises' and Organizations' Issuance of Securities" (EKONOMICHESKAYA GAZETA No 45, 1988) from the viewpoint of world practice. What does it do to accelerate the process of modernization of the national economy?

Primarily the decree authorizes two types of shares and thereby confronts us with the problem of whether it prohibits all other varieties thereof. But let us take a look first at the instruments which are clearly authorized. "The shares of the workforce" are "worker shares" quite extensively approved in the West as a medium linking the workmen's material interests with the results of the work of the given enterprise as a whole. But there are essential differences here also. It is proposed with us paying dividends from the material incentive fund. They are thereby a part of the compensation which has not been paid to other workmen (non-shareholders). In addition, inasmuch as this is the sole form of shares which individuals have a right to purchase the bulk of the population suffers discrimination—it will not be able to obtain the dividends promised in respect of "shares" (an annual 5-6 percent) and will be forced to content itself with the 2-3 percent in the savings bank.

"Enterprise shares," according to the decree, will be sold only to other organizations and do not give right of control over the activity of the issuing body. They are a purely domestic invention, and the term "share," what is more, is employed without connection with its content. This instrument is reminiscent most of a savings deposit (with right of recall) or a variety of trade-commercial credit between related subcontracting enterprises. Investments are hereby removed from the so important bank control. Of course, it is more profitable for organizations with spare cash to invest it in "shares" for the sake of higher interest. Such deposits will increase capital mobility somewhat, but, by and large, are by no means a step in the direction of the creation of a securities market.

One is surprised primarily by the disregard for a well-known and easier and more efficient path: the issuing of bonds. It would not be difficult setting up a controlling body (similar to the U.S. Securities Commission) which would keep in the hands of the state the basic levers of the capital market while retiring from the centralized financing of each and everything. Enterprise and ispolkom (municipality) bonds do not influence property relations and are of a long-term nature; forms of democratic control (regional particularly) of their use (securities transactions are officially registered throughout the world) could be created.

The growth of the budget deficit in the country demands also the development of a state bond market, an increase in the variance of the terms and conditions of issue and a transition from lotteries to interest payments. Incidentally, it would be only fair to align the rights of the holders of the "3-percent premium" bond and the 1953-1956 "Development of the National Economy" bonds. This could be done by way of exchange of the bonds which have remained with elderly people uncashed for new issues—this, incidentally, would require of the Ministry of Finance fewer cash resources than given their redemption. Such an exchange would not only do away with the wholly incomprehensible and unfair distinction

between the rights of the two groups of holders of credit but would also enhance trust in the central financial bodies. They will be greatly in need of this trust in the course of the further extension of the economic reform for combating the budget deficit, inflation and other problems.

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Book on Soviet Relations With Persian Gulf Countries Reviewed

18160007n Moscow MIROVAYA EKONOMIKA I
MEZHDUNARODNYYE OTNOSHENIYA in Russian
No 2, Feb 89 pp 146-147

[A. Umnov review: "Pertinent Topic"]

[Text] The new thinking is compelling a closer look at the most diverse, conservative included, political forces capable of contributing to the preservation of peace in the world. One such are the ruling clans of the Arabian monarchies controlling more than 40 percent of world oil supplies, the so-called "oilocracy". Relatively recently even they were described almost unequivocally in our publications as a reactionary force. Although it was noted that on a number of international problems, the Palestinian problem included, the said states occupy anti-imperialist positions.

The close political and economic relations with the West and the practical absence of diplomatic relations with the USSR (Kuwait was the only exception) were seemingly reason for such evaluations. However, the events of recent decades, of recent years particularly, have compelled their reconsideration. At this time the monarchies of the Persian Gulf are increasingly demonstrating their growing independence and capacity for acting as a stabilizing force in the region and countering the expansionist trends of Islamic fundamentalism. Their relations with the USSR have improved also. Today four of the six monarchies maintain normal diplomatic relations with the Soviet Union.

Particular significance is attached now to the USSR's policy in respect of these states.

The study* covers three complex issues: the Arabian monarchies in the system of international relations, relations with the USSR and the Soviet Union's policy in the region.

The first chapter is of a survey nature and contains information which is, as a whole, sufficiently well known, particularly the analysis of the Persian Gulf's political and financial-economic significance. It is shown in detail how and for what reasons this area gradually became a regional center, where the interests of various countries intersect and clash. While rightly noting the endeavor to pursue an independent foreign policy as a

most important process under way in the Arabian monarchies since WWII, the author at the same time links it insufficiently precisely with the changes in the world arena and in the region. While affirming the differences in the positions of the United States and other Western countries in the Persian Gulf, he fails to make a detailed analysis of the reasons for this divergence.

Of far more interest, in our view, is the second chapter devoted to the establishment and development of relations with the USSR. It is necessary today in order to imagine both the past and present of these relations to carefully collect material from the most diverse sources. And the author has done good work here. He adduces little-known facts of Russia's relations of the end of the 19th-start of the 20th centuries with the Arabian principalities, including the existence of a Russian consulate in Jiddah and the visits of warships (including that of the legendary "Varyag" to Kuwait) (p 50).

Of undoubted interest is the description of the actions of Soviet diplomacy in the region in the 1920's: first in the world to recognize Saudi Arabia and the development therewith of trade and economic relations providing, however unusual this may seem now, for supplies of Soviet petroleum products (pp 67-68).

Unfortunately, the book has not properly illustrated the reasons for the deterioration in Soviet-Saudi relations in the 1930's, which were actually broken off in 1937, and the absence thereof to this day. An account of the story of K.A. Khakimov, Soviet representative in Saudi Arabia, could have been of particular interest in this connection. Deeply devoted to communist ideals, a native of Central Asia, an active commander of the Red Army and an expert in Arabic and local customs, he enjoyed tremendous authority in the Arabian state. His recall in 1937 and subsequent (following accusations of "espionage" and "inordinate activity") execution were a grim landmark in the history of Soviet-Saudi relations: they remain virtually suspended to this day. There was an absence for many years of the Soviet Union's diplomatic relations with other Arabian monarchies also, which in the 1960's-1970's were liberated from British control. The book does not explain the particular position of Kuwait, which established such relations in 1961, immediately upon gaining independence. While noting the general changes in the alignment of forces in the 1980's, the scholar makes an insufficiently full analysis, in our view, of their refraction at the intra-country and regional levels. But, together with other factors, it has undoubtedly exerted a considerable influence on the Arabian monarchies' attitude toward our country.

The third chapter revealing the general principles of Soviet policy in the region would undoubtedly have benefited from a background of such an analysis. Speaking of the United States' opposition to the USSR's proposals concerning elimination of the foreign military presence in the Gulf, the author emphasizes that the

Soviet Union supports in every possible way a stimulation of the efforts of the states of the region directly concerned. An undoubted merit of the work is the investigation in this context of the activity of the Gulf Cooperation Council formed by six Arabian monarchies in 1981. Also of interest to the reader is the fact that the book devotes considerable space to the contradictory impact on the USSR's relations with the Arabian monarchies of the Afghan events and the Iran-Iraq war.

Inasmuch as in the nuclear and space age, as the conclusion of the work emphasizes, both national and regional security are inseparably connected with security worldwide, "the Soviet Union proceeds from the fact that a mutually acceptable solution of the problems of the region may be found and its security, including freedom of navigation and uninterrupted oil supplies, guaranteed by the joint efforts of all parties concerned" (p 175).

The book is undoubtedly topical in its subject matter and, we hope, will be greeted with interest by both specialists and the general reader.

Footnote

* V.Yu. Goshev, "SSSR i strany Persidskogo zaliva" [The USSR and Countries of the Persian Gulf], Moscow, "Mezhdunarodnyye otnosheniya", 1988 pp184.

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Comment on Bovin's Views on International Restructuring

181600070 Moscow: MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian
No 2, Feb 89 pp 156-157

[Unattributed comment: "Apropos an Argument"]

[Text] The last issue of the journal MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA carried the dialogue between A. Bovin and V. Lukin "Restructuring of International Relations—Ways and Approaches"

A candid view of past, present and future is undoubtedly an indispensable condition of the formulation of a political philosophy adequate to realities. The participants in the dialogue availed themselves of free speech in full measure to have their say—in quite sharp form and from opposite standpoints at times—on a number of fundamental problems of the theory and practice of foreign policy.

The reader might ask: but what is the viewpoint of the editorial office and the World Economics and International Relations Institute, whose organ the journal is? Particularly and primarily in respect of the understanding of peaceful coexistence and its correlation with the

class struggle and the contradictions of the two different social systems. The question is sufficiently serious, evidently, for an answer to be given.

A participant in the dialogue, A. Bovin, while condemning dogmatism, at the same time sees a danger of people going to the other extreme—"that same dogmatism, but with a different symbol." In what, however, does he believe this new dogmatism to be manifested?

"It transpires," A. Bovin asserts, "that the struggle of the two opposite systems is no longer the leading trend of the modern era." Asserts with manifest disagreement. And lest there remain doubt as to the essence of his own opinion, A. Bovin maintains: "And the main, leading trend of the era will remain the contest of the opposite systems and struggle for choice of historical path, that is, the struggle of socialism and capitalism." He interprets through the prism of this proposition the nature of states' peaceful coexistence.

We would note, for form's sake, that, by analogy with other masters of polemics, A. Bovin himself formulates the proposition which he intends subsequently to demolish. For the publications which he criticizes and the people generally whom he attributes to the new dogmatism do not deny the fact of the struggle of the two opposite systems or belittle the significance of this fact in world development. Both capitalism and socialism, of course, are defending their legitimacy and capacity for keeping in step with the times.

The essence lies elsewhere: in what forms should and may the historical competition between the systems proceed and what is the correlation of rivalry and cooperation in this process, in other words, how compatible or mutually exclusive are their interests? The utmost precision in opinions and conduct is required here inasmuch as the price for an attempt to deny objective premises could be an end to mankind's existence.

Of course, each state defends its social ideals and values. But this by no means signifies that the historical "who wins" dispute will be resolved in the course of confrontation and conflicts in the international arena. But it is to such an interpretation that the deliberations concerning the class nature of peaceful coexistence lead. Yes, we are living in a world which is heterogeneous and rent by injustice and contradictions. All this is true. But in a world which can be perfected and continue altogether only if it finds within it the wisdom and will to avert nuclear war, curb militarism and violence and subordinate the egotistic interests of classes, groups and clans to the interests of mankind.

Not who will bury whom or who will throw whom onto the garbage heap of history, for which all national and bloc resources are being strained and mobilized, but arrival at a civilized world order safe and conducive to normal life and "co-development" and "co-creativity"—such is the task. It reflects the logic of the qualitatively

new situation in which mankind has found itself. And it needs to be said plainly that peaceful coexistence cannot become the universal rule of present-day international relations if we, as before, in one way or another, in this form or the other dress it in class or ideological clothing. After all, the very character of the modern era has changed and is continuing to change, and it is clear that its development trends cannot fail to change. Answers to the stern challenges of the times cannot be sought by confining one's search to the framework of the confrontation of the two systems and ignoring the priority of interests common to all mankind.

A. Bovin is dubious: "Is all this talk about equal cooperation, conflict control and a world without wars and weapons not daydreaming and utopia?" The institute and the editorial office are convinced that man is the creator of his own future. He creates it in the image of his thoughts and depending on his capacity for learning life's lessons. The new political thinking is being embodied in actual decisions and actions to the benefit of all.

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Bloc CP Social Science Institutes Confer on 'Democratization'

18160007p Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYE OTNOSHENIYA in Russian No 2, Feb 89 p 157

[Text] An international roundtable meeting of prominent scholars of party research institutions of Bulgaria, Hungary, the GDR, Poland, Czechoslovakia and the Soviet Union and well-known representatives of a number of European communist, social democratic and workers parties, including the British Labor Party, which was held 22-24 November 1988 in Moscow was devoted to a thorough, comprehensive analysis of the factors currently bringing to the forefront of political life everywhere the problem of democracy, the particular features of its content under the conditions of the current stage of the S&T revolution and the possibilities and paths of the elaboration and formulation of a democratic alternative and the fundamental directions of the development of democratic institutions and processes in various societies. This exchange of opinions on the subject "A Democratic Alternative: Problems of the Democratization of Modern Societies" was organized by the CPSU Central Committee Social Sciences Institute and the USSR Academy of Sciences World Economics and International Relations Institute on the initiative of the journal MIROVAYA EKONOMIKA I MEZHDUNARODNYE OTNOSHENIYA.

Opening remarks were addressed to the participants in the meeting by Academician Ye.M. Primakov. In the course of the ensuing discussion paramount attention was paid to three problem areas: the specific forms and

outlines which might be assumed by a democratic alternative to the neoconservative trends in West European countries; the nature of the relationship between the struggle for democracy under the conditions of the bourgeois system and the democratization of socialist society; actual ways of developing economic democracy in present-day societies. Specifically, it was noted that a most promising direction of the search for an alternative to neoconservative concepts is the harmonious development of the social individual and satisfaction of a whole range of man's requirements as an individual and citizen. The democratization and humanization of society are goals which will have to play a paramount part in the structuring of a democratic alternative.

The participants in the meeting, which was held within the framework of the activity of the International Working Group for the Cooperation of Communist and Social Democratic Parties, displayed great interest in topical questions of the restructuring and democratization of Soviet society and the opportunities and directions of the search for answers to the complex problems of socioeconomic progress of universal significance which they afford. The friendly, creative atmosphere contributed to the high productiveness of the exchange of opinions, which demonstrated the wide range of agreement and sincere aspiration to cooperation in the theoretical sphere of representatives of various currents of the left camp of West European states and social scientists of the socialist countries.

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Articles in MEMO Not Translated

18160007q Moscow *MIROVAYA EKONOMIKA I MEZHDUNARODNYE OTNOSHENIYA* in Russian
No 2, Feb 89 pp 1-2

[Text] Russian Summary of Major Articles pp 3-4

Capitalist Income Distribution pp 41-50

Basic Trends of Contemporary Social Development . pp 51-65

Omnibus Edition of a Famous American Economist (N. Makasheva) pp 143-145

'Reaganomics' in the World Arena (E. Kirichenko) . pp 147-148

Trading on the World Market (Yu. Savinov) . pp 149-150

Choice Facing Europe (A. Firubin) pp 150-152

The Old World in the Search for a Retaliatory Strategy (S. Tsorionov) pp 153-155

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